OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS STAFF

REPORT OF INVESTIGATION

ALLEGATIONS OF CONNECTIONS BETWEEN CIA AND THE CONTRAS IN COCAINE TRAFFICKING TO THE UNITED STATES

(96-0143-IG)

Volume I: The California Story

January 29, 1998

Note: This is an unclassified version of a Report of Investigation that included information that is classified for national security reasons pursuant to Executive Order 12958 and sensitive law enforcement information. To the fullest extent possible, the text of this unclassified version is the same as that included in the classified version. Where different language has been required for national security or law enforcement purposes, the revised language is as close as possible to the original text.

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GLOSSARY OF TERMS

AKA	Also Known As
ALIAS	Fictitious name used by a person--an Agency staff employee, a contractor, or an asset--to hide true identity
ARDE	Democratic Revolutionary Alliance
ASSET	A person with a formal relationship characterized by a witting agreement and a degree of commitment and control and who provides information or services
AUSA	Assistant United States Attorney
BATF	Bureau of Alcohol, Tobacco and Firearms
CATF	CIA DO/Latin America Division/Central America Task Force
CCE	Continuing Criminal Enterprise
DCD	CIA DO/Domestic Collection Division
DCI	Director of Central Intelligence

DDCI	Deputy Director of Central Intelligence
DDO	CIA Deputy Director for Operations
DEA	Drug Enforcement Administration
DIA	Defense Intelligence Agency
DO	CIA Directorate of Operations
DoD	Department of Defense
DoJ	Department of Justice
DoJ/OIG	Department of Justice/Office of Inspector General
DoS	Department of State
FARN	Nicaraguan Revolutionary Armed Force
FBI	Federal Bureau of Investigation
FDN	Nicaraguan Democratic Force (Fuerza Democratica Nicaraguense)
FNU	First Name Unknown
FPLG	CIA DO/PCS/Freedom, Privacy and Litigation Group
FR	CIA DO/Foreign Resources Division

FRS	Sandino Revolutionary Front
FSLN	Sandinista National Liberation Front
GRAYMAIL	Threat to disclose classified or sensitive information to preclude prosecution
GRN	Nicaraguan Government of National Reconstruction
HAC	House Appropriations Committee
IG	Inspector General
IMS	CIA DO/Information Management Staff
INS	Department of Justice/ Immigration and Naturalization Service
IRO	CIA DO/Information Review Officer
LA DIVISION	CIA DO/Latin America Division
LAPD	Los Angeles Police Department
LASD	Los Angeles County Sheriff's Department
LNU	Last Name Unknown
NSC	National Security Council
OGC	Office of General Counsel

OIC	Office of Independent Counsel
OIG	Office of Inspector General
PAR	Performance Appraisal Report
PCN	Nicaraguan Democratic Conservative Party
PCNE	Conservative Party of Nicaraguans in Exile
RN	Nicaraguan Resistance
RVO	CIA DO/Records Validation Officer
SFRC	Senate Foreign Relations Committee
UDN/FARN	Nicaraguan Democratic Union/ Nicaraguan Revolutionary Armed Forces
UDN	Nicaraguan Democratic Union
UNO	United Nicaraguan Opposition

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INTRODUCTION

1. ***San Jose Mercury News* Allegations of CIA/Contra Involvement in Narcotics Trafficking.** In August 1996, the *San Jose Mercury News* published a three-part series of articles titled "Dark Alliance." The series related to a drug ring in California and its alleged connections to the Central Intelligence Agency (CIA)-backed Nicaraguan Contra resistance of the 1980s. (See Exhibit.)

2. ***August 18, 1996: Part One.*** The first article in the series, published on August 18, 1996, set forth the primary allegation that a drug ring in the San Francisco Bay area had "sold tons of cocaine to the Crips and Bloods street gangs of Los Angeles and funneled millions in drug profits to a Latin American guerrilla army run by the U.S. Central Intelligence Agency." The article frequently referred to the Contra movement as the "CIA's army."

3. The first article also made other specific allegations of CIA knowledge of, or involvement in, the drug ring's activities. According to the article, Contra financiers had allegedly met with CIA "agents" both before and while cocaine, in crack form, was being sold in Los Angeles. Further, these Contra financiers allegedly delivered cocaine on a cut-rate basis to Ricky Donnell Ross, a South Central crack dealer, who turned the cocaine into crack and sold it wholesale to gangs. The article further alleged that court records indicated that "the cash Ross paid for the cocaine was then used to buy weapons and equipment" for the large Contra group, Fuerza Democratica Nicaraguense (FDN). It further alleged that cocaine was "virtually unobtainable in black neighborhoods before members of the CIA's army started bringing it into South Central in the 1980s at bargain-basement prices."

4. The first article also discussed Oscar Danilo Blandon Reyes' role in the drug ring. Blandon, a former FDN leader and Ross' cocaine supplier, according to the article, had testified at a then-recent San Diego drug trafficking trial that he had started working to raise money for the Contras in late 1981 and that the drug ring sold almost a ton of cocaine in the United States that year. The article did not report exactly how much money was purportedly given to the Contras by Blandon, but reported Blandon's testimony that "whatever we were running in L.A., the profit was going to the Contra revolution."

5. The first article also reported that Blandon's operation was raided in 1986 and that his defense attorney had suggested that CIA had withdrawn its support of his cocaine operation because Congress had authorized $100 million in aid to the Contras in that year. According to the article, Blandon "told a San Francisco federal grand jury in 1994 that once the FDN began receiving American taxpayer dollars, the CIA no longer needed his kind of help." Blandon said that he and others in the drug ring then began running their drug business for themselves. According to the article, Blandon's defense attorney admitted that Blandon "never told him directly that he was selling cocaine for the CIA," but the attorney reportedly had come to

this conclusion "from the atmosphere of CIA and clandestine activities that surrounded Blandon and his Nicaraguan friends."

6. Another member of the ring alleged by the first article to have been connected to the Contras was Juan Norwin Meneses Cantarero. Meneses was a major California drug trafficker for whom Blandon worked and who was able to avoid imprisonment for many years, according to the article. The article alleged that representatives of the Drug Enforcement Administration (DEA), the U.S. Customs Service and the Los Angeles County Sheriff's Department had complained that investigations into the well-known Meneses organization were "hampered by the CIA or unnamed national security interests." The article also reported that Meneses had posed for a photograph with Contra leader Adolfo Calero, "a longtime CIA operative," and that Meneses had been an adviser to Enrique Bermudez, the military commander of the U.S.-backed Contra forces.

7. The first article reported that Meneses' connections to the Contras were disclosed when he was convicted of drug charges in Nicaragua in 1992. The article reported that Enrique Miranda, a relative of Meneses' and a former Nicaraguan military intelligence officer, had alleged during Meneses' trial that Norwin Meneses and his brother Luis Enrique had "financed the Contra revolution with the benefits of the cocaine they sold" with the help of Salvadoran military personnel. According to the article, U.S. General Accounting Office records "confirm that El Salvador's air force was supplying the CIA's Nicaraguan guerrillas with aircraft and flight support services throughout the mid-1980s." The article also reported that Meneses had "close personal and business ties to a Salvadoran air force commander and former CIA agent named Marcos Aguado."

8. ***August 19, 1996: Part Two.*** Part two of the "Dark Alliance" series, published on August 19, 1996, focused on the so-called "Frogman Case." In early 1983, San Francisco police apprehended several members of the drug trafficking ring after arresting several swimmers who were bringing ashore 430 pounds of cocaine. The article stated that one of the individuals arrested, a Nicaraguan named Carlos Augusto Cabezas, was connected to the Meneses

organization. The article also reported that, in June 1984, the attorney for the cocaine ring's alleged leader, Julio Zavala, had asked the U.S. Government to return cash that had been seized from Zavala's apartment because Zavala insisted the money had been given to him by the Contras to buy supplies. The article also reported that Cabezas had testified at the trial that he had been sent to Costa Rica by Zavala to retrieve cocaine from Horacio Pereira. According to the article, Pereira was "in frequent contact with Contra commanders" and was a business associate of Norwin Meneses. The article reported that Pereira--who was later convicted of drug charges--and two Contras were the cocaine suppliers for the Frogman ring.

9. ***August 20, 1996: Part Three.*** The third part of the *San Jose Mercury News* series was published on August 20, 1996. This article focused on the spread of crack in Los Angeles and the disparity in sentencing of drug traffickers in the United States. It included no additional allegations regarding involvement of CIA or Contra personnel in drug trafficking.

10. ***Subsequent Comment.*** On May 11, 1997, *San Jose Mercury News* Executive Editor Jerry Ceppos wrote an editorial acknowledging that the "Dark Alliance" series as published in August 1996 had several shortcomings. "We presented only one interpretation of complicated, sometimes-conflicting pieces of evidence," Ceppos wrote. While the series had implied that Bay Area drug ring profits were funneled to the Contras for most of the 1980s, Ceppos wrote, the article had omitted Blandon's testimony in which he stated that he sent cocaine profits to the Contras for only about a year. Ceppos also noted that the imprecise language of the series had "strongly implied CIA knowledge" of the drug ring, although this was never explicitly stated. He wrote, "Although members of the drug ring met with Contra leaders paid by the CIA and [the series' author Gary] Webb believes the relationship with the CIA was a tight one, I feel that we did not have enough proof that top CIA officials knew of the relationship."

11. ***Inspector General Investigation.*** As a result of the allegations published in the *San Jose Mercury News* series "Dark Alliance" in August 1996, Director of Central Intelligence (DCI) John Deutch asked the CIA Inspector General (IG) to conduct an investigation into the alleged connections of the CIA-backed Nicaraguan Contras and narcotics trafficking in California during the 1980s.

12. Specifically, the DCI asked that the Inspector General examine:

- Any information in CIA's possession since 1980 relating to Danilo Blandon, Juan Norwin Meneses, or Ricky Donnell Ross;
- Any information in CIA's possession relating to possible drug trafficking activities by the Contras in California or elsewhere in the United States, and what action, if any, CIA took upon receiving such information; and,
- Any contacts between CIA and DEA, Federal Bureau of Investigation (FBI), Department of Justice (DoJ), U.S. Attorney's Offices, or other U.S. law enforcement agencies relating to the individuals and issues.

(Copy follows.)

INSPECTOR GENERAL
96-1327

3 September 1996

MEMORANDUM FOR: Inspector General

FROM: Director of Central Intelligence

SUBJECT: Allegations of Involvement by Nicaraguan Contras in U.S. Drug Trafficking in the 1980s

1. In a series of articles beginning on 18 August 1996, the San Jose, California *Mercury News* alleged that during the 1980s a California-based drug ring sold tons of cocaine to local street gangs and funneled at least some of the profits to the CIA-supported Nicaraguan insurgent organization commonly known as the Contras.

2. I have no reason to believe that there is any substance to the allegations published by the *Mercury News*. However, because of the seriousness of the allegations and the need to resolve definitively any questions in this area, I have concluded that a thorough internal review of this matter should be conducted.

3. Accordingly, please initiate immediately such a review to determine whether or not any information exists that would bear one way or the other on the allegations contained in the *Mercury News* articles. Specifically, please address the following areas covering the time frame from 1980 to the present:

- Any CIA information relating to Danilo Blandon, Juan Norwin Meneses Canterero, or Ricky Donnell Ross;

- Any information in CIA's possession relating to possible drug trafficking activities by the Nicaraguan Contras in California or elsewhere in the U.S., as well as what action, if any, CIA took upon receiving such information;

- Any contacts between CIA and the Drug Enforcement Administration, Federal Bureau of Investigation, Justice Department, U.S. Attorneys' Offices or other U.S. law enforcement agency, relating to the individuals listed above as well as possible drug trafficking activities by the Nicaraguan Contras in California or elsewhere in the U.S.

SUBJECT: Allegations of Involvement by Nicaraguan Contras in U.S. Drug Trafficking in the 1980s

4. I ask that you submit a report to me containing your findings and conclusions no later than sixty days from the date of this memorandum.

5. Copies of the *Mercury News* articles are attached for your reference.

John Deutch

Attachment:
Mercury News articles

SUMMARY

13. **Scope of IG Investigation.** This CIA Inspector General investigation included an examination of all information in CIA possession concerning Ross, Blandon and Meneses, and CIA knowledge of any drug trafficking allegations in regard to persons directly or indirectly involved in Contra activities. The investigation also included an examination of allegations of drug trafficking by CIA assets, other individuals associated with CIA who dealt with the Contras, and companies and individuals involved in providing support to Contra activities in Central America in the 1980s on behalf of CIA.

14. The Report of Investigation is being issued in two volumes. Volume I addresses the "California Story"--findings regarding whether CIA knew of narcotics trafficking by Ross, Meneses or Blandon in Southern California. It also includes findings related to whether CIA knew of the narcotics trafficking activities of Julio Zavala and Carlos Cabezas in Northern California, and their possible ties to the Contras, and CIA's contacts with the San Francisco U.S. Attorney's Office in connection with "The Frogman Case."

15. **Conclusions: Volume I.** The following conclusions are based on the Findings in Volume I of this Report:

- **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

- **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

- No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any commitment to support the Contra cause or Contra activities undertaken by CIA.

- Blandon and Meneses claim that they each donated between \$3,000 and \$40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

- Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

- **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

- **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras?** No information has been found to indicate that CIA or individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas, or others who were arrested or charged in connection with the Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

- No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized from Zavala belonged to the Contras, it appears this was done through Zavala's wife's connections with old family friends and not because Zavala was active in the Contra movement.

- **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those who were arrested or charged did have a relationship with CIA until mid-1982.

- **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

16. **Volume II.** Volume II will address findings related to CIA's knowledge of any other alleged drug trafficking by the Contras or other persons associated with the Contra program. It also will describe CIA's interactions with U.S. law enforcement agencies and the Congress regarding Contra personnel and activities that were subject to drug-related allegations. Conclusions regarding those issues will be included in Volume II.

SCOPE OF INVESTIGATION

17. On September 3, 1996, DCI John Deutch asked CIA IG Frederick P. Hitz to conduct an internal review of the allegations in the *San Jose Mercury News* series "because of the seriousness of the allegations and the need to resolve definitively any questions in this area . . . . " This review was to include all information in CIA's possession since 1980 relating to:

- Danilo Blandon, Juan Norwin Meneses Cantarero or Ricky Donnell Ross;
- Possible drug trafficking activities by the Contras in California or elsewhere in the United States, and what action, if any, CIA took upon receiving such information; and
- Any contacts between CIA and DEA, FBI, DoJ, U.S. Attorney's Offices, or other U.S. law enforcement agencies relating to these individuals and issues.

18. In establishing the parameters of the investigation, the Office of Inspector General (OIG) decided that it was necessary to go beyond the scope of DCI Deutch's request in order to ensure thoroughness and completeness. Thus, it was determined that any information in CIA's possession, regardless of its date, concerning Blandon, Meneses and Ross, should be retrieved and reviewed. Further, any information in CIA's possession regarding possible drug trafficking activities by the Contras or CIA contacts with U.S. law enforcement agencies regarding such information during the entire "Contra era" should be retrieved and reviewed. In this regard, OIG defined the "Contra era" as the period in the early 1980s from the organization of groups in opposition to the installation of a Sandinista Government in 1979 through the period leading to the assumption of power by the first non-Sandinista President, Violetta Chamorro, in the spring of 1990. Thus, the Contra era under

review in the investigation comprised the period from 1981 through 1989.

19. Criteria were also developed by OIG in an effort to facilitate the identification and retrieval of any information in CIA's possession regarding drug trafficking by the Contras in California or elsewhere in the United States. Because drug trafficking activities might be reported without sufficient information to identify the eventual destination of the drugs, and since the United States was the leading consumer of drugs during the relevant time frame, any information regarding drug trafficking by persons associated with CIA or the Contras that was not related specifically to consumption in a foreign country was considered to be within the scope of this investigation. In addition, this investigation extended to any contact by CIA with any U.S. law enforcement agency regarding possible drug trafficking by persons associated with CIA in the Contra program or the Contras and was not limited to such contacts regarding drug trafficking where the United States was the known destination of the drugs.

20. The investigation included review of any information in CIA's possession relating to CIA knowledge of drug trafficking allegations in regard to any person directly or indirectly involved in Contra activities and was not limited to official members of Contra organizations or to the leadership of those organizations. In addition, the investigation sought to examine any information in CIA's possession relating to allegations of drug trafficking by CIA assets and other individuals who were associated with CIA and dealt with the Contras, or by companies and individuals that were involved in providing support to Contra-related activities in Central America in the 1980s on behalf of CIA. Finally, the investigation included information in CIA's possession regarding how CIA handled and responded to information regarding allegations of drug trafficking by persons or companies in these categories.

21. The investigation was not intended to prove or disprove allegations of drug trafficking by specific individuals or organizations. Further, the description in this Report of drug trafficking allegations involving any individual or organization does

not represent any position by OIG regarding the veracity of the allegations. The investigation also was not intended to review or evaluate the effectiveness of any CIA covert action programs in Central America in the 1980s.

PROCEDURES AND RESOURCES

22. The Office of Inspector General (OIG) responded to the DCI's tasking of September 3, 1996 by immediately forming an investigative team that included three Investigators, an Auditor, a Research Assistant, and a Secretary. By November 1996, the team was expanded to encompass 17 full-time OIG Investigators, Inspectors, Auditors, and another Research Assistant. Additionally, four other individuals with expertise in specific areas also joined the investigative team for periods of time ranging from one to eight months.

23. OIG constructed a comprehensive tasking memorandum that was distributed to all CIA components on September 12, 1996. The OIG tasking memorandum requested that OIG be furnished with all information regarding three broad areas:

- Copies of all internal and external documents and information relating to any CIA connection with, or knowledge of, the activities of the following individuals who are identified in the *San Jose Mercury News* article: Danilo Blandon, Juan Norwin Meneses Cantarero, Ricky Donnell Ross, Carlos Augusto Cabezas, Adolfo Calero, Orlando Murillo, Luis Enrique Meneses Cantarero, Enrique Miranda, Enrique Bermudez, Marcos Aguado, Julio Zavala, and Horacio Pereira;

- Copies of all internal and external documents and information regarding possible drug trafficking and related activities directed toward or conducted within the United States by the Contras or persons associated with the Contras, and what actions CIA took in response to the receipt of such information;

- Copies of all internal and external documents relating to any contacts between CIA and the Drug Enforcement

> Administration, Federal Bureau of Investigation, Justice Department, U.S. Attorneys' Offices, and other U.S. federal, state, or local law enforcement agencies and any foreign law enforcement entities or other organizations relating to the individuals listed above or possible drug trafficking and related activities by the Contras directed toward or conducted within the United States.

The tasking memorandum directed that responses include all relevant official and unofficial files, memoranda, taskings, notes, letters, correspondence, communications, finished intelligence, electronic mail and other computer messages, cable traffic, briefing books, calendars, and personal notes. All categories of material were to be included in response regardless of their classification or sensitivity.

24. OIG also issued two Employee Bulletins--on September 12, 1996 and October 23, 1996--with copies distributed to every CIA employee--informing them of this investigation and asking employees who may have knowledge of the issues under investigation to contact OIG. On September 30, 1996, OIG placed an article in the Agency newsletter, *What's News at CIA*, requesting that CIA employees contact OIG with any information potentially relevant to this investigation.

25. By March 1997, OIG had received approximately 50,000 pages of documents provided by Agency components. In May, the team received an additional 42,000 pages of documentary material, including information drawn from the Agency's holdings of Iran-Contra-related documents that had been provided to the Independent Counsel for Iran-Contra Matters, Lawrence Walsh. Additional documentary material responding to specific OIG follow-up taskings of Agency components continued to be received through December 1997. In total, OIG reviewed about one-quarter million pages of documents and indexed over 53,000 pages into its investigative records. By the conclusion of the investigation, these documents were organized into more than 104 three-ring binder volumes and 26,000 pages of documents in other files.

26. Documents relating to operational, security, polygraph, and personnel matters were obtained from appropriate components within the Directorate of Operations (DO) and the Directorate of Administration. Files relating to relevant Agency assets, operations and counterintelligence issues were reviewed. Records from the Office of General Counsel (OGC) were obtained and reviewed. The Agency's collection of records that responded to the Office of the Independent Counsel for Iran-Contra Matters (OIC)--comprising approximately 300 linear feet of Agency and other Executive Branch documents--was reviewed and potentially relevant information was obtained by OIG.

27. Relevant current and long-term finished intelligence, as well as memoranda and other records, from the Directorate of Intelligence and the National Intelligence Council were obtained and reviewed by OIG. Memoranda, briefing materials and other relevant information from the Office of the DCI were reviewed. Information from the Office of Congressional Affairs and the Office of the Comptroller was obtained, as were documents from the Directorate of Science and Technology. Reporting from other Intelligence Community agencies, including the National Security Agency and the Defense Intelligence Agency, that had been shared with CIA and was available in CIA databases was provided by CIA components to OIG.

28. OIG also worked with the Department of Justice/Office of the Inspector General (DoJ/OIG) in common areas of investigative interest and jurisdiction. OIG reviewed relevant records obtained by DoJ/OIG relating to the transmittal of information concerning Contra-drug trafficking allegations between CIA and law enforcement agencies. OIG also engaged in direct communications with the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA) to review relevant information. OIG also contacted DoJ's National Drug Intelligence Center and DEA's El Paso Intelligence Center for potentially responsive information.

29. OIG detailed two officers to the National Archives where the records of the OIC for Iran-Contra Matters reside. Their function was to review those records and obtain copies of those that were relevant to this investigation. A forensic analysis regarding specific documents that were obtained from a U.S. District Court was conducted, at OIG's request, by the DoJ's Immigration and Naturalization Service Forensic Laboratory.

30. Also reviewed were available records relating to briefings that were provided by Agency officials to the Congressional intelligence oversight committees. Complete records of all briefings were not available, since the committees and CIA officials did not always create records of information briefings provided to committee staff.

31. OIG conducted over 365 interviews with individuals who possessed potentially relevant information. In some cases, individuals were interviewed more than once as new information developed. These interviews included current and former Agency employees and other current or former U.S. Government officials. Also interviewed were individuals--both in the United States and abroad--who were involved with the Contras in the 1980s on behalf of CIA and other persons who were in a position to know what CIA may have known, or done, about Contra-related individuals who were allegedly involved in drug trafficking. Most individuals who were interviewed were administered an oath attesting to the truthfulness of their statements. The OIG interviews involved travel to four continents and throughout the United States. OIG conducted a number of interviews jointly with DoJ/OIG where common investigative interests existed.

32. The persons interviewed also included senior Agency management officials, including DCI George Tenet, former DCI Robert Gates, former Deputy Director of Central Intelligence (DDCI) and Deputy Director for Operations (DDO) John McMahon, former DDO Richard Stolz, several former DO Chiefs of Latin America Division, and relevant former Chiefs of the DO/Central American Task Force (CATF). A large number of CIA officers--both current and

retired--who were involved in support of the Contras in the 1980s were interviewed. Former Contra leaders, including Eden Pastora, Adolfo Calero and Alfonso Robelo were interviewed. OIG also interviewed Ricky Ross, Danilo Blandon and Norwin Meneses.

33. Seven people declined OIG's request to be interviewed. They include six former CIA personnel--a middle-level officer who resigned from CIA some time ago; Duane Clarridge; Joseph Fernandez; Clair George; John McCavitt; and Gerald Svat--and Celerino Castillo, a former DEA employee. Three other former senior Agency managers responded in writing to questions posed by OIG.

BACKGROUND

Origin and Development of the Contra Conflict

34. The efforts of the Nicaraguan Contra organizations to unseat the Sandinista Government in Nicaragua spanned much of the 1980s but had their roots in earlier events. A 1911 treaty between the United States and Nicaragua gave the United States the right to intervene in Nicaraguan affairs, and U.S. Marines were dispatched to Nicaragua in 1912 to protect U.S. economic interests. The two-decade military occupation that followed helped foster the development of a guerrilla opposition, led by Augusto Cesar Sandino, that sought to rid Nicaragua of U.S. influence. The U.S. Marines left Nicaragua in 1933, but opposition to Nicaraguan National Guard Commander Anastasio Somoza Garcia, who had then assumed power, continued thereafter.

35. In 1961, the Frente Sandinista de Liberacion Nacional (FSLN) was founded in Havana when Carlos Fonseca's Nicaraguan Patriotic Youth organization merged with Tomas Borge's Cuban-supported insurgent group. From its inception through the early 1970s, the FSLN was a marginal group that failed to marshal popular support or succeed in its low-level guerrilla war. The 1972 earthquake that devastated the capital city of Managua, however, changed the nature of the conflict. Support for the rebels increased because of the Somoza Government's profiteering from international relief efforts. Thereafter, fighting between FSLN elements and the National Guard steadily increased. The 1978 assassination of Pedro Joaquin Chamorro, editor of the opposition newspaper *La Prensa*, brought new protests that swept the country and swelled the ranks of the FSLN with new recruits. Additionally, non-Marxist resistance groups began to join with the FSLN, leading ultimately to the creation of a Broad Opposition Front. The Front sought to draw people from all economic classes, ages and professions into the anti-Somoza opposition.

36. In February 1979, the U.S. Department of State (DoS) announced that the United States would suspend all new economic and military aid to Nicaragua because of Somoza's unwillingness to accept a negotiated settlement. The suspension of U.S. aid pulled the last support from under Somoza, and he fled the country in July. After Somoza's departure, Sandinista forces moved into Managua and assumed power. The United States quickly extended diplomatic recognition and offered aid. Despite the American actions, the new Sandinista Government turned increasingly against the United States and moved closer to Cuba and the Soviet Bloc. The Cubans were particularly active in educational programs that featured a strong pro-Marxist, anti-U.S. bias.

37. The leadership of the post-Somoza Government, known as the Government of National Reconstruction (GRN), was initially a five-person directorate led by Daniel Ortega. It was composed of two FSLN members, a leftist intellectual and two moderate business representatives from the Broad Opposition Front. Before the inaugural session of a new national assembly, known as the Council of State, the FSLN unilaterally increased the total number of seats. This ensured FSLN control of the assembly and led the moderate business members of the directorate, Alfonso Robelo and Violetta Chamorro, Pedro's widow, to resign in April 1980.

38. Despite promising free elections, free enterprise, an independent judiciary, and an end to political oppression, the Sandinistas seized television and radio stations, censored *La Prensa*, and established a Cuban-modeled internal security apparatus. In 1980, the Sandinista Government announced that it would not hold national elections until 1985. This convinced many Nicaraguans that the prospects for a true democracy were growing dimmer under FSLN dominance. In published statements, Sandinista officials expressed their desire for better relations with the United States and insisted that they had no intention of supporting insurgencies aimed at subverting their neighbors. Their actions, however, began to raise additional doubts. Weapons and equipment sent by Cuba through Nicaragua began making their way to rebels in El Salvador.

39. During the Carter Administration, the United States was in "competition" with Cuba for the allegiance of the Nicaraguan Government and hoped that friendly relations could be maintained. Although President Carter authorized aid to the GRN, he also authorized support to the democratic elements in Nicaragua in the fall of 1979 because of the direction of the Sandinista's policies. In January 1981, Carter suspended financial aid to the GRN. The incoming administration of President Reagan continued this policy. Concern about the Sandinista's internal repression, their growing military force, their ties to the Soviet Bloc, and their support for the Salvadoran insurgency led Washington to consider ways to increase assistance to the regime's opponents. These opponents came to be called the Contras.*

40. Several groups of Contras began to emerge in the early 1980s. The Democratic Revolutionary Alliance (ARDE) and the Sandino Revolutionary Front (FRS) operated out of bases along Nicaragua's southern border with Costa Rica, while the Nicaraguan Democratic Force (FDN) operated out of camps in southern Honduras along Nicaragua's northern border. Initially, the FDN in the north was primarily composed of former National Guardsmen, although its membership and leadership diversified as the war progressed. ARDE and the FRS in the south were composed primarily of former Sandinistas. Following a merger of ARDE and FRS, both the FDN and ARDE/FRS relied on the U.S. Government for military and monetary aid. Both suffered significantly from the cessation by Congress of official U.S. aid between 1984 and 1986. During this time, these groups appealed to other governments and private sources for funds to continue their political and military efforts against the Sandinistas.

41. Although the Sandinista military was larger and better equipped, the FDN and ARDE posed a serious threat to the Sandinista Government because of the economic damage they caused

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* The Contras in the 1980s were also referred to as "the Democratic Resistance." In accord with the language of the DCI's letter tasking this investigation, the term "Contras" is used throughout this report.

to the Nicaraguan infrastructure. The FDN emerged by 1987 as an effective force, and it actually controlled areas of northern Nicaragua for a time.

42. In 1985, the United Nicaraguan Opposition (UNO) was formed to represent a coalition of Northern and Southern Front Contra groups. However, UNO was fraught with personality and ideological conflicts and made little progress in developing a political program that enhanced the Contra's appeal. As a result, UNO dissolved in early 1987 and was replaced by the Nicaraguan Resistance (RN) in May 1987. The RN expanded the resistance assembly, incorporated previously unrepresented blocs to broaden its appeal, and directed military operations along the Northern and Southern Fronts.

43. In March 1988, both the Contras and Sandinistas, exhausted by the conflict and encouraged by the United States and Central American governments, signed a cease fire agreement. A series of agreements reached at Tesoro Beach, El Salvador in February 1989 and Tela, Honduras in August 1989 defined the framework that ended the conflict. The Contras were permitted to return to Nicaragua and compete in open elections monitored by international observers. On February 25, 1990, Violetta Chamorro, leader of the National Opposition Union political alliance, defeated Daniel Ortega in the Nicaraguan presidential election. On April 25, 1990 she took office, and the remaining Contra forces began demobilization.

Central Intelligence Agency Involvement with the Contras

44. As the Sandinistas assumed control of the Nicaraguan Government (GRN), suppressing political opposition and deferring elections, many early supporters broke with the regime and left Nicaragua. Exiled mostly in Costa Rica, Honduras and the United States, many formed groups seeking the overthrow of the Sandinista Government. By 1981, groups of resistance fighters in Honduras, in particular, had sought military assistance from the Honduran Government.

45. In 1981, DCI William Casey created the Central America Task Force (CATF) at CIA. A Presidential Finding, signed by President Reagan in December 1981, authorized Agency covert and paramilitary operations, facilitated through friendly governments, against Cuban and Sandinista targets involved in arms trafficking to insurgents in Central America. The Agency was initially allocated $19 million to support and conduct political and paramilitary operations in Nicaragua and elsewhere in Central America. Substantial numbers of Agency officers and amounts of equipment began arriving in Honduras in January 1982.

46. CIA personnel became involved in building and maintaining the Contra forces. The Agency established a primary base of operations in Honduras. This base supported the FDN, led by Enrique Bermudez and Adolfo Calero. Airfields throughout the region were used to support Contra forces, and CIA personnel also trained Contra fighters and served as advisors to the leadership.

47. In 1982, CIA also began to provide support to Creole and Indian groups operating in Eastern Nicaragua and to the group of former Sandinistas under the leadership of Eden Pastora that was based in Costa Rica. The Agency provided support to Pastora and the allied Sandino Revolutionary Front/Democratic Revolutionary Alliance groups (FRS/ARDE) from 1982 to 1984.

48. To ensure CIA's program did not go beyond arms interdiction, Congress enacted an Intelligence Authorization Act in December 1982 that prohibited CIA from supplying money, arms, training, or support to any individual or organization seeking to overthrow the GRN or involved in provoking military confrontations between Nicaragua and Honduras. Despite this restriction, in 1983 the pace of Contra operations increased along both the Northern and Southern Fronts as newly trained fighters were deployed. With the quickening pace of military action, the Agency struggled to keep up with Contra demands for additional materiel.

49. In September 1983, the Agency was given greater latitude in its relationship with the Contra forces by a new Presidential Finding that changed the objective of Contra support from interdicting arms trafficking to bringing the Sandinistas into peace negotiations. Congress, however, capped CIA spending on the Contra effort in December 1983 at $24 million. After CIA mining of Nicaraguan seaports became public knowledge, Congress denied a supplemental request by CIA for $21 million.

50. By August 1984, the funding allotted for CIA support to the Contras had been expended. Additional legislation was enacted in October 1984 that precluded the Agency from providing paramilitary assistance to the Contra forces over the next two years. During this period, the combat effectiveness of the Contra forces declined.

51. In the absence of U.S. support, Contra organizations successfully appealed to other governments and private sources for funds to continue their war effort. Under National Security Council (NSC) official Oliver North's direction, a network of companies and facilities was established in an effort to supply the Contras. The level of support, however, did not meet the overall needs of the Contras, and the Reagan Administration sought from Congress a resumption of direct aid to be managed by CIA.

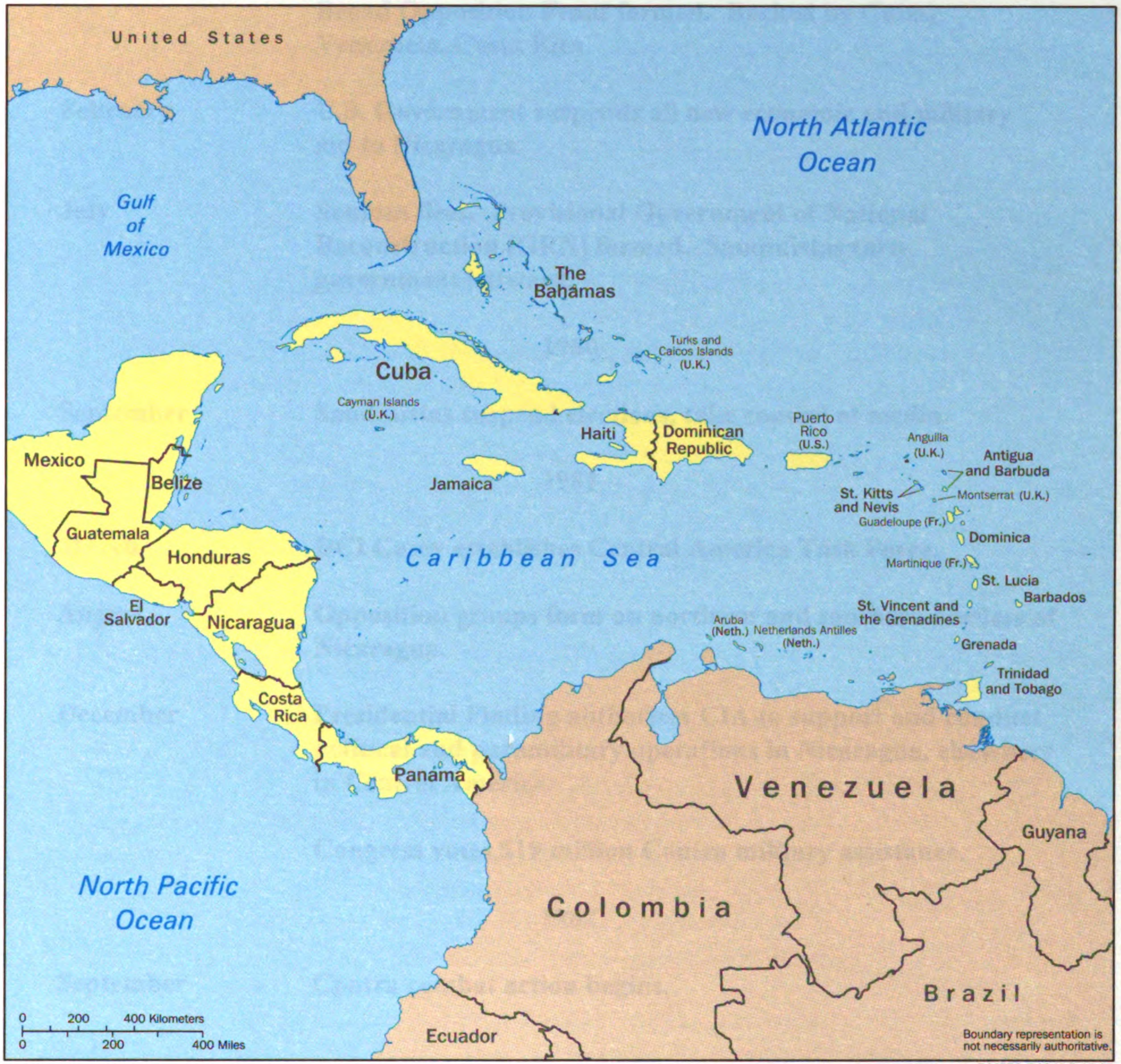
52. In October 1986, after considerable debate in Congress, the Agency was authorized to provide paramilitary support to the resistance forces and $100 million was allocated to this purpose for

Fiscal Year 1987, beginning in October 1986. The legislation that authorized this assistance contained a provision that barred aid to any group whose members were found to have engaged in "gross violations of internationally recognized human rights . . . or drug smuggling, or significant misuse of public or private funds." By January 1987, CIA was providing large quantities of supplies and new weaponry. Extensive training was also provided to Contra fighters. The peak of military activity for the Contras came in 1987 when 10,000 to 12,000 personnel were infiltrated into Nicaragua to conduct guerrilla operations.

53. In November 1986, U.S. Attorney General Edwin Meese announced that proceeds from the sale of arms to Iran had been "diverted" to the Contras at a time when U.S. military aid to the Contras was prohibited. Congressional support for the Contras waned dramatically as a result of investigations into the Iran-Contra affair in 1987. No additional funding for paramilitary support was appropriated by Congress after the expiration of the $100 million program in 1987. By December 1988, only humanitarian aid was being provided by the United States to Contra forces, although the Agency was still permitted to share intelligence with the Contras. As the Agency withdrew, the U.S. Agency for International Development took over responsibility for administration of the humanitarian aid program. Lacking continued access to military supplies, Contra forces began returning to their base camps outside Nicaragua, effectively ending offensive military operations.

54. Building on a March 1988 cease fire agreement, the incoming Bush Administration sought to complete a negotiated settlement to end the fighting. Both the Contras and Sandinistas, exhausted by the war, supported a series of agreements in February 1989 and August 1989 that defined the framework to end the conflict.

Central America and the Caribbean


United States
Gulf of Mexico
North Atlantic Ocean
The Bahamas
Turks and Caicos Islands (U.K.)
Cuba
Cayman Islands (U.K.)
Haiti
Dominican Republic
Puerto Rico (U.S.)
Anguilla (U.K.)
Antigua and Barbuda
Montserrat (U.K.)
St. Kitts and Nevis
Guadeloupe (Fr.)
Dominica
Martinique (Fr.)
St. Lucia
Barbados
St. Vincent and the Grenadines
Grenada
Trinidad and Tobago
Mexico
Belize
Jamaica
Guatemala
Honduras
Caribbean Sea
El Salvador
Nicaragua
Aruba (Neth.)
Netherlands Antilles (Neth.)
Costa Rica
Panama
Venezuela
Guyana
North Pacific Ocean
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Chronology of Key Developments Related to the Contra War

1979

	Broad Opposition Front formed. Backed by Cuba, Venezuela, Costa Rica.
February	U.S. Government suspends all new economic and military aid to Nicaragua.
July	Somoza flees. Provisional Government of National Reconstruction (GRN) formed. Sandinistas turn government leftward.

1980

September	Sandinistas suspend elections, take control of media.

1981

March	DCI Casey establishes Central America Task Force.
August	Opposition groups form on northern and southern borders of Nicaragua.
December	Presidential Finding authorizes CIA to support and conduct political and paramilitary operations in Nicaragua, elsewhere in Central America.
	Congress votes $19 million Contra military assistance.

1982

September	Contra combat action begins.
December	Boland Amendment, enacted as part of the Defense Appropriations Act of 1983, prohibits CIA and Department of Defense (DoD) from spending money to support activities designed to overthrow the Sandinista Government.

1983

July	Boland-Zablocki legislation bars aid to Contras, but allows arms interdiction.
September	Presidential Finding authorized CIA to support, equip, train paramilitary resistance groups.
December	Defense Appropriations Act includes $24 million Contra assistance program, but sets cut off for September 30, 1984.

1984

February	Mining of Nicaraguan harbors begins.
April	Mining operations become public knowledge.
May	La Penca Bombing. Pastora injured, several killed prior to press conference where Pastora planned to denounce CIA pressure for him to align with the FDN.
September	Authorized appropriations for DoD and CIA support to the Contra program end. Prohibition in effect until December 1985.
Late 1984	NSC fund-raising efforts channel cash, goods to Contras until May 1986.

1985

April	President Reagan declares economic embargo on Nicaragua.
June	Pastora's military forces driven out of Nicaragua Contra coalition, United Nicaraguan Opposition (UNO) formed.
August	Humanitarian assistance bill leads to creation of Nicaraguan Humanitarian Assistance Office (NHAO) at Department of State.
December	Intelligence Authorization Act authorizes CIA to provide communications equipment, intelligence to the Contras.

1986

January	Presidential Finding discontinues lethal assistance to Contras.
April	Senate Subcommittee on Terrorism, Narcotics and International Operations (Kerry Committee) opens an investigation into alleged illegal gun running and narcotics trafficking associated with the Contra War.
June	*Miami Herald* reports NSC violation of Boland restrictions.
October	Legislation provides $100 million in FY87 for renewed military and nonmilitary assistance to the Contras; contains provision barring aid to any group whose members are found to have engaged in drug trafficking; clears way for restoration of CIA involvement in Contra War.
	C-123 cargo plane shot down over Nicaragua. Eugene Hasenfus captured.
December	Independent Counsel (Walsh) named to investigate Iran-Contra affair.

1987

May	Nicaraguan Resistance (RN) unites Contra groups.
	Start of joint Congressional hearings on Iran-Contra.
November	Sandinistas announce readiness for indirect talks with Contras.
	Joint Congressional investigation report released on Iran-Contra.
December	$100 million appropriated funds expended, CIA support reduced to intelligence sharing.

1988

January	**Sandinista President Daniel Ortega agrees to direct talks with Contras.**
February	**House of Representatives rejects Contra funding request.**
March	**Tentative cease-fire signed.**
December	**Senate Subcommittee on Terrorism, Narcotics and International Operations (Kerry Committee) report published.**

1989

February	**Tesoro Beach Agreement calls for supervised elections and Contra disarmament.**
August	**Tela agreement sets timetable for Contra disarmament, elections.**

1990

February	**Sandinistas defeated in national election.**
April	**Violetta Chamorro assumes office; Contras begin demobilization.**

Cocaine Flows through Central America in the 1980s

55. **Movement of Cocaine through Central America.** Throughout the 1980s and thus far in the 1990s, South American traffickers have used the Central American isthmus as an important secondary route for cocaine and marijuana transshipment operations, for importing drug refining chemicals and for laundering large sums of narcotics revenues. Traditional maritime drug smuggling routes throughout the Caribbean (the Yucatan, Windward and Mona Passages) continued to be important trafficking routes to the United States throughout the period. The Central American countries became more important staging areas and transshipment points for South American narcotics during the 1980s as Mexican traffickers began to handle a larger share of cocaine trafficking.

56. Central America and some Caribbean islands offer favorable locations for drug trafficking. Their geographic proximity to major narcotics producing countries in South America and to the United States make this area a natural route for transporting illicit drugs northward. The thousands of remote islands, unpatrolled waterways, extensive coastlines, clandestine airstrips, and generally unguarded borders all facilitate drug trafficking. By the early 1980s almost all countries in the area were serving as transshipment, staging, or refueling points for boats and planes that carried cocaine to the United States. By refueling their aircraft and boats in Central America and the Caribbean, the traffickers greatly enhanced their chances of entering the United States undetected. They could bypass such choke points as the Yucatan Channel and Windward and Mona Passages and avoid Florida, where interdiction efforts were beginning to be concentrated. During the late 1970s and early 1980s, cocaine transiting Central America went to such diverse areas as Louisiana, Texas, Colorado, Georgia, West Virginia, and New York.

57. In the 1980s, large cocaine trafficking organizations frequently controlled fleets of small aircraft--many with sophisticated communications gear and reconfigured with extra fuel tanks--that were used to carry drugs, people and money between Latin America

and the United States. These operations were supported by a network of airfields, some of which were fairly large with concrete runways, others of which were small dirt strips. The organizations also had sizable numbers of trucks, small and large boats, helicopters, and other forms of transport needed to move the drugs from remote growing areas to clandestine processing sites and eventually to the U.S. market. By the end of the decade, major trafficking organizations were showing a greater preference for shipping larger loads via maritime routes and commercial conveyances and containers as well as utilization of various free trade zones.

58. There are no authoritative estimates of the quantities of cocaine moved through Central America in the 1980s. However, the major routes were known to U.S. authorities and air and maritime transport were thought to be the primary trafficking modes. By 1996, however, it was estimated that the commercial and noncommercial maritime smugglers were shipping three times more cocaine than was being moved by air.

59. While comprehensive cocaine movement figures are not available for the mid-1980s, a reasonable conclusion is that they would be roughly similar in relative magnitude to what was measured in the late 1990s. Noncommercial vessels--usually "go-fast" boats--most likely provide the primary means by which traffickers currently move cocaine into the Central America-Caribbean transit zone. Roughly 60 percent of the total amount of cocaine that is annually destined for the United States traverses the Eastern Pacific and the Western Caribbean up the Central America-Mexico corridor including about 10 percent that moves directly through Central America. Another 10 percent passes through the Caribbean directly to the United States. The remaining 30 percent enters the Caribbean and is then transshipped to the United States.

60. **Production and Export of Cocaine from South America.** Within South America, cocaine is moved over a number of major routes. From the Peruvian growing areas, most cocaine base is moved by air, rivers and roads to Peru-Bolivia-Brazil border areas and is then flown to Colombia for processing into finished powder

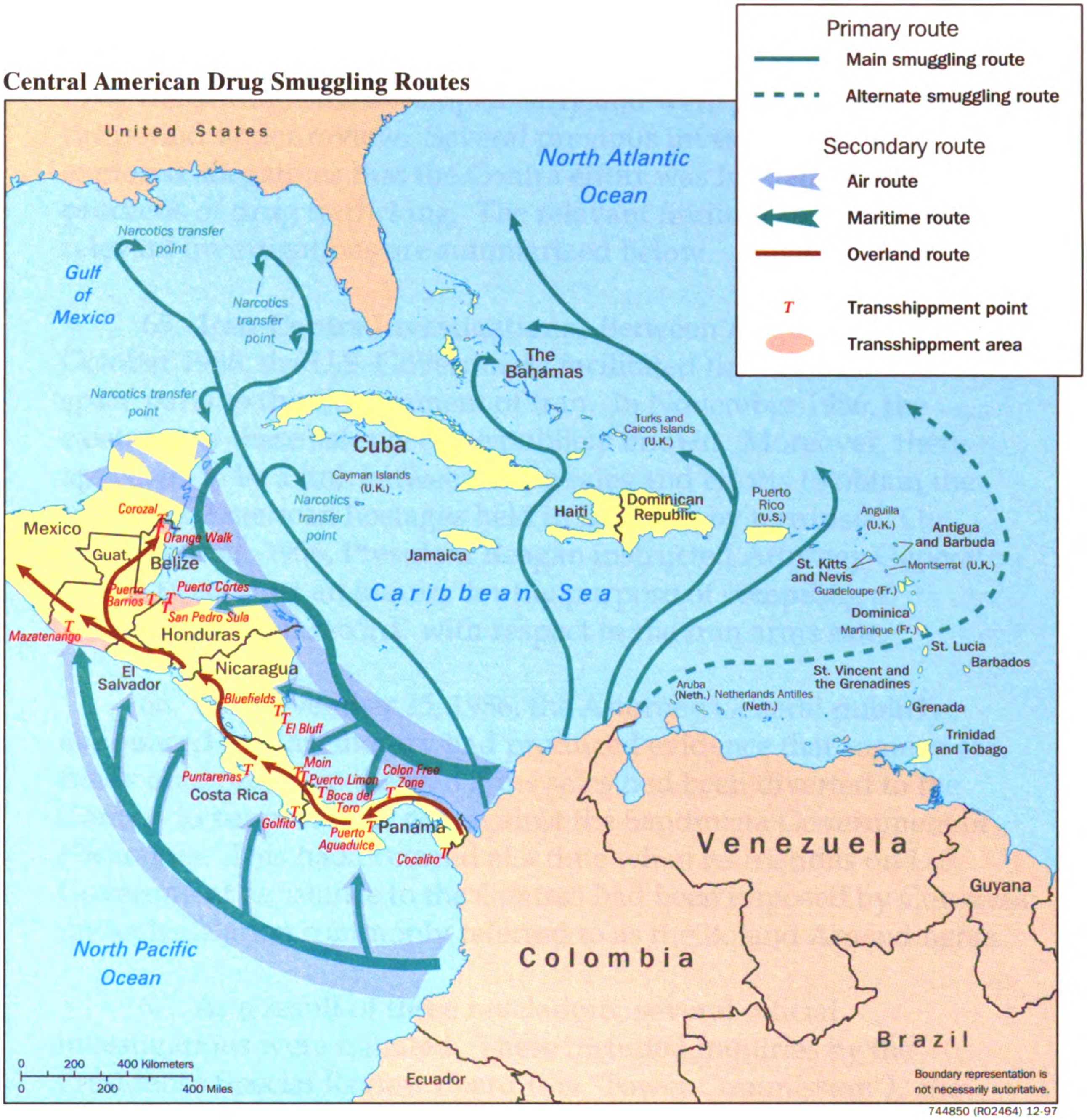
cocaine. Cocaine base from Bolivian growing areas is increasingly being processed into finished powder within Bolivia. Some Peruvian cocaine base is also moved by land to the Pan American Highway and transported from Peru through Ecuador to Colombia.

61. Cocaine is a stimulant drug produced from the leaf of the coca bush, which grows almost exclusively in South America. Approximately 85 percent of the world's coca supply is grown in Peru and Bolivia, while the remaining 15 percent is grown in such areas as the rain forests of Colombia. Since the late 1960s, Colombia has dominated the processing and trafficking of cocaine manufactured from coca grown in Bolivia and Peru. However, until the late 1980s, Colombia produced relatively little coca.

62. Extraction of cocaine is a process that usually requires three separate steps. After the coca leaf is harvested, it is first processed into coca paste and then turned into cocaine base. Coca paste and cocaine base are produced, in most cases, to ease transport by reducing the size of the product. In recent years, the paste manufacture stage is being bypassed, with coca being processed directly into cocaine base. Cocaine base is then processed into finished powder cocaine.

63. Crack cocaine that is consumed in the United States is generally made from cocaine that has been imported into the United States. Crack cocaine is a form of smokeable, or "freebase," cocaine that was developed in the mid-1970s. Crack appeared in the early 1980s as an alternative to chewing, drinking, injecting, or inhaling the drug. In smokeable form, the drug is delivered to the brain more quickly and has a more intense effect. Crack is made by dissolving the drug in water, adding a material such as baking soda, and heating the mixture until "rocks" of crack are formed. This is a very simple process that can be performed near the final point of sale. Since crack is sold in smaller units than cocaine that is inhaled, the cost per dose is lower to the user. The dealer pays the same amount to a wholesaler for cocaine, alters it into the crack form, and makes up to four times higher profit than from the powdered form of the drug.

Central American Drug Smuggling Routes


Primary route
Main smuggling route
Alternate smuggling route
Secondary route
Air route
Maritime route
Overland route
T Transshipment point
Transshipment area
United States
North Atlantic Ocean
Gulf of Mexico
Narcotics transfer point
Narcotics transfer point
Narcotics transfer point
Narcotics transfer point
The Bahamas
Turks and Caicos Islands (U.K.)
Cuba
Cayman Islands (U.K.)
Haiti
Dominican Republic
Puerto Rico (U.S.)
Jamaica
Anguilla (U.K.)
Antigua and Barbuda
St. Kitts and Nevis
Montserrat (U.K.)
Guadeloupe (Fr.)
Dominica
Martinique (Fr.)
St. Lucia
Barbados
St. Vincent and the Grenadines
Grenada
Trinidad and Tobago
Aruba (Neth.)
Netherlands Antilles (Neth.)
Caribbean Sea
Mexico
Corozal
Orange Walk
Guat.
Belize
Puerto Barrios
Puerto Cortes
San Pedro Sula
Mazatenango
Honduras
El Salvador
Nicaragua
Bluefields
El Bluff
Moin
Puerto Limon
Colon Free Zone
Boca del Toro
Puntarenas
Costa Rica
Golfito
Puerto Aguadulce
Panama
Cocalito
Venezuela
Guyana
Colombia
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Results of Previous Investigations into Alleged Contra Drug Trafficking

64. With the intersection of political, economic, geographic, and military factors in Central America affecting the Contra movement, allegations of arms smuggling, profiteering, corruption, drug trafficking, etc., developed early and were propagated during the period under review. Several previous investigations have explored allegations that the Contra effort was funded with the proceeds of drug trafficking. The relevant findings of these and other relevant investigations are summarized below.

65. **Iran-Contra Investigations.** Between August 1985 and October 1986, the U.S. Government facilitated the sale of missiles and spare parts to the Government of Iran. In November 1986, the existence of these sales became publicly known. Moreover, there appeared to be a link between these sales and efforts to obtain the release of American hostages held in Lebanon by terrorists. On November 21, 1986, President Reagan instructed Attorney General Meese to conduct an inquiry for the purpose of compiling a "complete factual record" with respect to the Iran arms sale.

66. On November 25, 1986, the Attorney General publicly announced that his inquiry had produced evidence that some of the funds obtained from the Iran arms sales had been diverted to the Contras to support their war against the Sandinista Government of Nicaragua. This had occurred at a time when restrictions on U.S. Government assistance to the Contras had been imposed by Congress under legislation commonly referred to as the Boland Amendments.

67. As a result of these revelations, several official investigations were initiated. These included inquiries by the President's Special Review Board (the "Tower Commission"),* the Senate Select Committee on Intelligence, the House Select Committee

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* The Tower Commission was charged with determining the role of the National Security Council (NSC) Staff in the Iran-Contra arms sales and diversion of profits to the Contras.

to Investigate Covert Arms Transactions with Iran, the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition , and an Independent Counsel appointed pursuant to the Ethics in Government Act--the Independent Counsel for Iran/Contra Matters, Lawrence Walsh. In addition to these inquiries, CIA's Inspector General conducted a series of investigations focusing on the role of the Agency and the Agency's employees in the sale of arms to Iran and the provision of assistance to the Contras. On September 1, 1987, DCI William Webster appointed a Special Counsel to review the results of these inquiries and make recommendations for administrative action.

68. **CIA Investigations.** The CIA OIG conducted four examinations of Iran-Contra activities, but none included the issue of drug trafficking allegations involving the Contras. A July 1987 review focused on Agency compliance with congressional restrictions regarding support to the Contras from 1984-87. A second investigation reviewed the Agency's role in the sale of missiles to Iran and the diversion of profits from those sales to the Contras. A third review was a "Special Investigation into Certain Activities of the Chief of Station San Jose." In addition to these CIA/IG reviews, DCI Webster's Special Counsel issued a "Report of the Special Counsel to the Director of Central Intelligence Concerning the CIA's Role in the Iran-Contra Matter" on December 15, 1987.

69. **Report of the Joint Congressional Committees Investigating the Iran-Contra Affair.** A November 1987 "Report of the Congressional Committees Investigating the Iran-Contra Affair" was issued jointly by the House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition. In the course of this investigation, the Committees obtained and reviewed a large volume of documents from CIA and other sources and conducted interviews with CIA personnel. An appendix to this report contained a July 23, 1987 memorandum, titled "Allegations Re: Contra Involvement with Drug Smuggling" that was written by an investigator for the House Committee. It discussed allegations of Contra involvement in drug smuggling and stated:

> Our investigation has not developed any corroboration of media-exploited allegations that U.S. government-condoned drug trafficking by Contra leaders or Contra organizations or that Contra leaders or organizations did in fact take part in such activity.

70. The July 1987 memorandum noted that, during the investigation,

> . . . hundreds of individuals, including U.S. Government employees, Contra leaders, representative of officials of foreign governments, U.S. and foreign law enforcement officials, military personnel, private pilots and crews involved in actual operations were questioned and their files and records examined.

Nonetheless, the appendix reported:

> There was no information developed indicating any U.S. government agency or organization condoned drug trafficking by the Contras or anyone else.

71. The Joint Congressional Committee report also contained another appendix titled, "Organization and Conduct of the Committees' Investigation." Among other things, this appendix discussed the investigation of the Contra's sources of funds and stated:

> Contra leaders have been interviewed and their bank records examined. . . . Examination of Contra financial records, private enterprise business records and income tax returns of several individuals failed to locate any indication of drug trafficking.

An investigator involved in this examination, a retired FBI Special Agent, reiterates this point and says that "the [Certified Public Accountants] who were charged with auditing the Contra bank accounts found no evidence of influxes of cash attributed to drugs." He says that bank accounts examined included Contra organizations bank accounts in the Bank of Commerce and Credit International and personal bank accounts. According to the investigator, the sources of all the money in these accounts were accounted for and much came from third country contributors.

72. The Joint Congressional Committee report also explained in detail the procedures used to track the Contra funds in another appendix.

> Following the "money trail"--the sources, movements, and locations of funds involved in the investigation--necessitated the establishment of separate specialized data bases. Two closely related files were created. The first identified all relevant bank accounts; the second contained the detailed transactions. Data were first entered into the bank account file to be used to verify transactions. Each account was verified to flow from a known account to another known account. After the bank account file was prepared, specific transactions were entered into the second file. All monetary amounts were typed twice; the program monitored the entry to ensure that the two entries were identical. The accounting firm of Price Waterhouse provided professional accounting services to the House Committee, and the General Accounting Office provided similar services to the Senate Committee.

73. **Report of the Senate Subcommittee on Terrorism, Narcotics and International Operations.** The principal investigation that focused on allegations that drug money was being used to fund Contra operations was conducted by the Senate Subcommittee on Terrorism, Narcotics and International Operations of the Committee on Foreign Relations. In April 1986, the Subcommittee opened an investigation into allegations of illegal gunrunning and narcotics trafficking associated with the Contra war. As the investigation proceeded, according to the Subcommittee's report, information began to develop concerning the operations of international narcotics traffickers, particularly the Colombian cocaine cartels. As a result, the Contra-related allegations became part of a broader investigation into the relationship between U.S. foreign policy, narcotics trafficking and law enforcement.

74. The Subcommittee's report, "Drugs, Law Enforcement and Foreign Policy," published in December 1988, concluded that the

drug traffickers used the Contra war and their ties to the Contras as a cover for their criminal enterprises in Honduras and Costa Rica. While the assistance provided by the drug traffickers was "a matter of survival [for the Contras], for the traffickers it was just another business deal to promote and protect their own operations."

75. The Subcommittee report included findings indicating:

- Individuals who provided support for the Contras were involved in drug trafficking, the supply network of the Contras was used by drug trafficking organizations, and elements of the Contras knowingly received financial and material assistance from drug traffickers. In each case, one or another U.S. Government agency had information regarding these matters either while they were occurring, or immediately thereafter;

- Involvement in narcotics trafficking by individuals associated with the Contra movement;

- Participation of narcotics traffickers in Contra supply operations through business relationships with Contra organizations;

- Provision of voluntary assistance to the Contras by narcotics traffickers, including cash, weapons, planes, pilots, air supply services, and other materials; and

- Payments to drug traffickers by the U.S. Department of State of funds authorized by the Congress for humanitarian assistance to the Contras, in some cases after the traffickers had been indicted by federal law enforcement agencies on drug charges, in others while the traffickers were under investigation by those agencies.

76. The Subcommittee did not find evidence that the Contra leadership "participated directly in narcotics smuggling in support of

their war, although the largest Contra organization, the FDN, did move Contra funds through a narcotics trafficking enterprise and money laundering operation." The Subcommittee concluded that there was substantial evidence of drug smuggling on the part of individual Contras, pilots who flew supplies, mercenaries who worked for the Contras, and Contra supporters throughout the region.

77. The Subcommittee also found that U.S. intelligence reporting regarding narcotics issues had been "marginal and woefully inadequate." The Subcommittee noted that:

> . . . despite widespread trafficking through the war zones of northern Costa Rica, [the Subcommittee was] unable to find a single case which was made on the basis of a tip or report by an official of a U.S. intelligence agency. This despite an executive order requiring intelligence agencies to report trafficking to law enforcement officials and despite direct testimony that trafficking on the Southern Front was reported to CIA officials.

78. Further, the Subcommittee concluded that U.S. officials involved in assisting the Contras "knew that drug smugglers were exploiting the clandestine infrastructure established to support the war and that Contras were receiving assistance derived from drug trafficking," yet did not report these individuals to the appropriate law enforcement agencies. Instead, the Subcommittee found that "some [of these] officials may have turned a blind eye to these activities." Moreover, the Subcommittee believed there were "serious questions as to whether or not U.S. officials involved in Central America failed to address the drug issue for fear of jeopardizing the war effort against Nicaragua."

79. The Subcommittee made only one legislative recommendation in its report that directly pertained to the Intelligence Community: "No U.S. intelligence agency should be permitted to make any payments to any person convicted of narcotics related offenses, except as authorized in writing by the Attorney General in connection with the investigation or prosecution of criminal activity." The Subcommittee also concluded in a section on

"National Security Issues" that better cooperation between law enforcement and intelligence agencies should be established so that "a useful intelligence product can assist law enforcement efforts in the war on drugs," and that individuals who misrepresent themselves as working for CIA or other national security agencies should be promptly prosecuted to the full extent of the law. The Subcommittee also found that some individuals involved in "supporting narcotics trafficking did so because they were told that their actions were either on behalf of, or sanctioned by, the U.S. Government."

80. **Final Report of the Independent Counsel for Iran/Contra Matters.** "The Final Report of the Independent Counsel for Iran/Contra Matters" was issued on August 4, 1993. It did not state any conclusions regarding the Contras and drug trafficking, but did indicate that the sources of Contra funds had been closely examined. Among other things, the investigation had:

> . . . obtained the Swiss financial records of the Enterprise,* bank documents from other foreign countries, extensive domestic financial records, and also the immunized testimony of Enterprise and [National Endowment for the Preservation of Liberty] officers and employees. Willard I. Zucker, the Enterprise's Swiss financial manager, was given immunity to illuminate the financial structure of the Iran and Contra operations.

81. One of the lawyers who was appointed to the OIC says that narcotics trafficking allegations comprised "only about one percent" of his and other investigators' interest. The issue of drug trafficking, he states, was reviewed because the OIC hoped it might find issues to use as "leverage" against targets of the investigation. For the most part, he says, any drug trafficking activity would have been "stumbled on" in the course of the investigation of other issues, especially money laundering. This former OIC staff member recalls that no funds with unexplained sources were found in the OIC

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* According to the Office of Independent Counsel (OIC) Final Report, the "Enterprise" was a term Richard Secord coined in interviews with OIC and congressional investigators during 1987 to describe the covert operation he and others undertook. The phrase was not used by the participants while the operation was ongoing.

investigation. However, he adds that the focus of the OIC's investigation was the expenditure, rather than the source, of funds.

82. **Walsh Memoirs.** Independent Counsel Walsh published his memoirs of the Iran-Contra investigation--*Firewall: The Iran-Contra Conspiracy and Cover-up*--in 1997. The book focuses on how Walsh and his staff developed prosecutions for conspiracy to defraud the U.S. Government, spending U.S. Government funds without proper appropriations, theft of U.S. Government property, mail fraud, obstruction of justice, and obstruction of congressional investigations through giving or preparing false testimony or destroying records. The book makes no reference to allegations of drug trafficking, the 1987 Report of the Joint Congressional Committee or the December 1988 final report of the Senate Subcommittee on Terrorism, Narcotics, and International Operations.

83. **Los Angeles County Sheriff's Department Investigation.** On October 3, 1996, Los Angeles County Sheriff Sherman Block ordered an inquiry into the allegations in the *San Jose Mercury News* articles. The inquiry was meant to determine in part what the Los Angeles County Sheriff's Department (LASD) knew about:

> . . . alleged CIA/Contra (FDN) involvement in cocaine sales in the south central area of Los Angeles . . . . and whether or not any such knowledge or belief caused members of the Sheriff's Department to ignore or not properly investigate drug cases.

Much of the LASD investigation centered on allegations made in a postscript article to the newspaper's "Dark Alliance" series. This article, titled, "Affidavit: Cops Knew of Drug Ring," was based in large part on information from a 1986 affidavit of a former Los Angeles County Sheriff's narcotics detective and a defense lawyer's motion in a 1990 corruption case against a number of former Sheriff's Department members.

84. The December 1996 LASD summary of the 3,600-page report that resulted from the investigation states that Ronald Lister and Danilo Blandon were Contra sympathizers, but that:

> . . . information obtained during this inquiry does not support the assertion the FDN obtained money and arms through the sales of cocaine. It does appear some supporters of the "Southern Front" of the Contra army (ARDE) were possibly involved in the sales of cocaine.

85. According to the LASD summary, the 1990 motion filed by a defense lawyer on behalf of LASD deputies who had been accused of corruption contained allegations of improper procedures during and after the 1986 execution of search warrants in the LASD's investigation of drug trafficking by Blandon. These included allegations regarding improper confiscation of evidence by agents of the federal government. Some LASD officers who had been involved in the 1986 searches indicated that they believed Lister had mentioned a CIA affiliation or that he had phoned a CIA contact, Mr. Weekly, during the search of his residence.

86. The 1996 LASD summary of its investigation concluded that, after the warrant was served on Lister, the FBI attempted to confirm the alleged CIA relationships of Lister and several other individuals. The LASD summary indicated that CIA had responded in a teletype to the FBI with background information regarding Norwin Meneses and Orlando Murillo, but indicated that CIA had no information regarding any of the other individuals.

87. The LASD summary of its investigation also addressed the allegations of confiscation of evidence by federal agents:

> . . . a full review of all the reports, evidence entries, and evidence disposition forms was conducted and [it was] determined that for each item seized in the searches there is a consistent "paper trail."

The LASD summary also stated, " . . . all evidence was seized, documented, and disposed of per Department policy. No property was taken by any 'federal agents.'" The LASD summary concluded that "investigators have determined this allegation was apparently spread through secondhand rumor and innuendo among some members of the narcotics team personnel."

88. **Los Angeles Police Department Inspector General Report**. An October 24, 1996 letter to the Los Angeles City Council updated the status of an inquiry into the *San Jose Mercury News* allegations by Los Angeles Police Department (LAPD) Inspector General Katherine Mader. According to the letter, the LAPD IG inquiry had not substantiated any allegations that the LAPD was aware of any CIA involvement in narcotics trafficking.

QUESTIONS PRESENTED

89. Volume I of this Report addresses the following questions relating directly to the allegations contained in the *San Jose Mercury News* series and in claims that CIA interfered with law enforcement investigations into narcotics trafficking in California:

- Was CIA involved in the California-based drug trafficking of Ricky Donnell Ross, Danilo Blandon or Juan Norwin Meneses Cantarero?
    - Did CIA have any relationship or dealings with Ross, Blandon or Meneses?
    - Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?
    - Did CIA intervene or otherwise play a role in any investigative or judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?
- Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Was their drug trafficking linked to the Contras?
    - Were those arrested connected with CIA?
    - Were those arrested connected with the Contras?
    - Was CIA involved in the investigation of The Frogman Case?
    - To what extent, and why, did CIA become involved in the prosecution of The Frogman Case? What was the effect of CIA involvement in the prosecution?

- To what extent did CIA respond to Congressional inquiries regarding The Frogman Case?

90. Volume II of this Report will review broader issues of Agency knowledge and handling of drug trafficking allegations regarding Contra personnel and organizations and others involved in supporting the Contras on behalf of CIA.

FINDINGS

Volume I: The California Story

WAS CIA INVOLVED IN THE CALIFORNIA-BASED DRUG TRAFFICKING OF RICKY DONNELL ROSS, DANILO BLANDON OR JUAN NORWIN MENESES CANTARERO?

DID CIA HAVE ANY RELATIONSHIP OR DEALINGS WITH ROSS, BLANDON OR MENESES?

91. **1996 Agency Declaration in U.S. District Court.** On September 18, 1996, the U.S. Attorney for the Southern District of California requested that the Agency determine whether CIA had any relationship with Ricky Donnell Ross, Oscar Danilo Blandon Reyes, Juan Norwin Meneses Cantarero, Ronald Jay Lister, or David Scott Weekly. All five of these individuals were mentioned in the August 1996 *San Jose Mercury News* articles that implied CIA was connected to the drug trafficking activities of Ross, Blandon and Meneses.

92. In response to this request, the Records Validation Officer (RVO) for the Agency's Directorate of Operations (DO)[*] submitted a Declaration to the U.S. District Court on November 4, 1996 in the matter of *U.S. v Ricky Ross* (case # 95-0353-H). The RVO's Declaration detailed the steps that had been taken by the Agency to review all records in the possession of the DO and the CIA's Directorate of Administration, the two directorates that maintain records concerning all individuals with a past or present staff, contract, or operational relationship with CIA. The RVO Declaration certified to the Court that this review had located no information indicating that

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[*] The DO's Information Review Officer (DO/IRO) is responsible for the review of records maintained by the DO that may be responsive to Freedom of Information Act (FOIA) or Privacy Act requests, or to requests from DoJ in connection with criminal or civil litigation. The DO/IRO was also designated as the Agency's Records Validation Officer for purposes of this case. In that capacity, the IRO was authorized by CIA's Executive Director to sign Declarations to U.S. District Courts on behalf of CIA.

the Agency had any past or present relationship--whether operational, contractual, or employment--with the five named individuals.

93. The RVO's Declaration further certified that CIA records included no information of any kind concerning Ross. With respect to Blandon, Meneses, Lister, and Weekly, the Declaration explained that there was relevant information in CIA files, but no information in CIA records indicated there was any Agency relationship with these individuals.

94. Concerning Meneses, the RVO certified that CIA had responded to requests by the FBI in 1986 and 1988 regarding any CIA knowledge of or interest in Meneses. Both of these responses indicated, according to the Declaration, that CIA had no relationship with Meneses and described information in CIA files that had been provided by CIA sources who reported that Meneses was a drug trafficker. The RVO Declaration also stated that reviews of these issues by CIA components in the late 1980s had revealed "no evidence that anti-Sandinista groups which received support from the U.S. Government engaged in drug-trafficking."

95. **CIA Records.** This investigation confirmed the accuracy of statements contained in the RVO's Declaration that was provided to the U.S. Attorney for the Southern District of California. As noted earlier, the U.S. Attorney for the Southern District of California requested that the Agency determine whether the CIA had any relationship with Ross, Blandon, Juan Norwin Meneses Cantarero, Lister and Weekly. In response, a search was conducted of Agency records for any information that would indicate any such relationship. Though Meneses' name was misspelled as "Menesis" in the Declaration, the records search by variant spellings as described by the RVO ensured that any relevant information would be identified. The Declaration was not required nor intended to present or describe all information in Agency files relating in any way to the activities of any of the individuals in question. Additional information, particularly regarding Meneses, was included in CIA files, and is described in detail below. However, no Agency record

cited in the Declaration, and none of the other Agency documents that have been reviewed in the course of this investigation, indicate that the CIA had any operational, contractual, or employment relationship with Ross, Blandon, Meneses, Lister, or Weekly.

96. ***CIA Records: Ross.*** No information concerning Ricky Donnell Ross has been found in CIA records, except that received after September 18, 1996 relating to the criminal prosecution of him in the U.S. District Court for the Southern District of California. No information has been found to indicate that there has ever been any CIA relationship with Ross.

97. ***CIA Records: Blandon, Meneses and Lister.*** Blandon's name, along with those of Norwin Meneses and Ronald Lister, appeared in an October 30, 1986 cable from a Station of the DO's Foreign Resources Division to CIA Headquarters. The cable notified Headquarters that Blandon, Meneses and Lister had been arrested for narcotics trafficking and were claiming that they were in some way connected to CIA. The cable read:

> Three individuals claiming [CIA] affiliation have been arrested by Los Angeles county sheriff's department on narcotics related charges. Details as received via [FBI] are sketchy. However, request preliminary traces to determine if any of the three listed below have [CIA] connections . . . . Please respond immediate indicating what portions of response may be passed to local law enforcement authorities.

The cable contained an error in that Meneses and Lister were not arrested along with Blandon and his wife, but had only been implicated in the investigation.

98. On October 31, 1986, Headquarters responded to the cable:

> There are no [Headquarters] traces on Ronald ((Lister)) or Danilo ((Blandon)). [An LA Division Station reported on] 05 Dec 84 that a Norwin Meneses was apparently well known as the Nicaraguan Maifa [*sic*], dealing in drugs, weapons and smuggling and laundering of counterfeit money (U.S. and [Nicaraguan] colones) [*sic*]. Subject was residing in Miami as a result of unspecified drug

> related charges by the Costa Rican government. A 25 Mar 85 message from [another LA Division Station] described a Norwing [*sic*] ((Meneses)) Cantarero as the kingpin of narcotics traffickers in Nicaragua prior to the fall of Somoza.

99. On December 11, 1986, FBI Headquarters sent a cable to CIA and the Defense Intelligence Agency (DIA) for information concerning Blandon, Meneses and Lister, as well as Aparicio Moreno, Orlando Murillo and Richard (last name unknown), also known as (a.k.a.) "Oklahoma Dick." The FBI cable stated:

> . . . the captioned matter is an Organized Crime Drug Enforcement (OCDE) task force investigation focused on a cocaine distribution operation principally comprised of Nicaraguan nationals. Significant quantities of cocaine are reportedly distributed throughout the west coast. Information provided to FBI Los Angeles indicates that subject Ronald Jay Lister has made statements concerning his "CIA contact," identified by Lister as "Mr. Weekly." Investigation has also identified documents indicating that Lister has been in contact with "Scott Weekly" of the "DIA.". . . . Receiving agencies [CIA and DIA] are requested to advise the FBI, attention: Organized Crime Section, Criminal Investigation Division, whether or not any of the captioned subjects are currently of operational interest to your agency.

100. CIA responded on December 17, 1986:

> In response to [the December 11 FBI request], this Agency is forwarding the following for your information: In 1984 one Norwin ((Meneses)) was involved in drug activities in Costa Rica. He is apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money. In December 1984 Meneses was residing in Miami as a result of unspecified drug related charges by the Costa Rican Government. Prior to the fall of former Nicaraguan President Anastasio Somoza, one Norwing [*sic*] ((Meneses)) Cantarero was called the kingpin of narcotics traffickers in Nicaragua . . . . In 1983 Orlando Murillo, Nicaraguan exile, was described as a former official with the Swiss bank in Managua. We have no traces on other names [Blandon, Lister, Moreno, Richard (LNU), Weekly] referred to in [the FBI request].

101. CIA records include additional cables regarding Meneses between 1983 and 1995. On April 1, 1983, a DO Latin America (DO/LA) Division Station reported information provided by a Nicaraguan expatriate who had made an abortive attempt to contact members of the Nicaraguan resistance. The Nicaraguan reportedly stated that, around October 1982, he was:

> . . . hoping to contact a friend named Norbin [*sic*] ((Meneses)) in Miami, who would direct him to counter-revolutionary training camps in South Florida and eventually to join Miskito combat units in Honduras. Meneses . . . was not contacted and was found to be living in California.

102. On December 5, 1984, a Latin America (LA) Division Station informed Headquarters of allegations that Meneses and another trafficker, Tuto Munkel, were involved in drug trafficking with Sebastian Gonzalez Mendieta in Costa Rica. Meneses was reported to be living in Miami as a result of unspecified drug charges by the Costa Rican Government, and it was reported that Meneses owned a restaurant in which Gonzalez might have had a financial interest. According to the Station, Meneses, Gonzalez and Munkel were well-known as the "Nicaraguan Mafia, dealing in drugs, weapons smuggling and laundering of counterfeit money."

103. The LA Division Station provided Headquarters with additional information on December 27, 1984. According to the Station, one and a half kilograms of cocaine, packed in rattan clothes hampers, were being forwarded weekly to Meneses in Miami. The Station requested that another LA Division Station conduct a records search concerning Meneses.

104. On March 25, 1985, Meneses was again referred to in CIA reporting when an LA Division Station reported information concerning a Sandinista-run business known as H&M Corporation. According to the report, H&M Corporation was a conglomerate of several FSLN-owned businesses that were engaged in a host of legal and illegal enterprises in an effort to obtain hard currency for the Sandinista Government. The report also stated that Federico Vaughn, a known narcotics trafficker and an official of

H&M Corporation, was said to be "an associate of Nicaraguan narcotics trafficker Norwing [*sic*] ((Meneses)) Cantarero."

105. Meneses' name was next reflected in CIA reporting on June 11, 1986, when an LA Division Station informed Headquarters that a Contra leader, Fernando Chamorro, had allegedly been asked by Meneses in August or September 1984 to help "move drugs to the U.S." On June 27, 1986, a DO National Collection Division office reported that it had learned from a Nicaraguan expatriate who was in contact with another U.S. Government agency that he suspected "Meneses was involved in the transporting of drugs."

106. On September 3, 1987, CIA responded to a DoS request for a name trace in connection with a visa application by Meneses. The response included an information copy of the Agency's December 17, 1986 response to the FBI request for information concerning Meneses and advised DoS that:

> According to information dated March 1985 . . . one Norwing [*sic*] Meneses Cantarero, probably identical with subject, was the kingpin of narcotics traffickers in Nicaragua prior to the fall of Somoza. According to information dated December 1984 . . . one Norwin Meneses, probably identical with subject, was involved in drug activities in Costa Rica. He was apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money. In December 1984, Meneses was residing in Miami as a result of unspecified drug related charges by the Costa Rican Government. You are referred to the Federal Bureau of Investigation for possible information on subject.

107. On March 31, 1988, OGC Associate Deputy General Counsel Gary Chase responded in writing to an FBI request that sought to determine if there were any Agency relationships with Juan Norwyn (sic) Meneses-Cantarero, a.k.a. Norwin Meneses. Chase's letter to FBI/Assistant Director, Criminal Division, Floyd Clarke, stated that "an extensive search of the files and indices of the appropriate office located no information indicating that Mr. Meneses-Cantarero a.k.a. Norwin Meneses was ever employed by, or an informant for, the Central Intelligence Agency."

108. CIA records do not mention Meneses again until January 18, 1991 when an LA Division Station reported to Headquarters that it had received information that four men were bringing narcotics from Central and South America to Miami, Chicago and Milwaukee. It was reported that one of the men, Juan Dewey Thomas-Altamiraro, a Nicaraguan cocaine trafficker, was an associate of Meneses. However, no details concerning the nature and extent of his association with Meneses were reported. In response to this report, another LA Division Station advised the first Station on January 23, 1991 of the "Nicaraguan Mafia" allegations concerning Meneses and the fact that "Meneses was known to be involved in the drug trafficking activities of Sebastian Gonzalez Mendieta."

109. Meneses was next mentioned in CIA cable traffic as a result of his November 1991 arrest in Managua following an attempt to ship 764 kilograms of cocaine from Cali, Colombia, to the United States. Subsequent to this arrest, Meneses was convicted in Nicaragua of cocaine trafficking and was sentenced to 25 years in prison. His sentence was later reduced to twelve and one-half years. An LA Division Station cabled the following information to Headquarters on November 4, 1991 concerning Meneses' arrest:

> . . . the Sandinista police made a major drug bust this weekend. They captured 764 kilos of cocaine and arrested five people. They also claimed that the drugs were being sent from the Cali cartel probably to the United States . . . . Those arrested were Norwin ((Meneses)) Cantarero, his brother Luis Enrique ((Meneses)) Canteraro [*sic*], Enrique ((Miranda)) Hyame [*sic*], an engineer Carmelo ((Lacayo)) Briceno who was in charge of concealing the drugs for movement, and Carlos Francisco ((Merlo)) Bermudez . . . .

110. Agency records also indicate that Meneses' arrest was reported in November 1991 through Department of Defense and Department of State channels. Those reports included reference to a trip to Colombia by Meneses and

Miranda in September 1991 and to the group's loss of a Ford Escort "loaded with cocaine" in Houston in September 1991.

111. The November 1991 arrest of Meneses was also summarized in a January 30, 1992 "Narcotics Update For Latin America" that was published by the DO and sent to Stations and Bases in Latin America to provide background information. The Update article indicated that "ringleader Norwin Meneses is believed to be the top Cali Cartel trafficker in Nicaragua."

112. The last references to Meneses that appeared in CIA reporting occurred in December 1995 when three cables discussing "Possible Attempts to Link CIA to Narcotraffickers" were sent by the DO's LA Division to certain Stations. On December 4, 1995, Headquarters asked one of the Stations whether it possessed any information concerning Meneses:

> In November 1995, we were informed by DEA that a reporter has been inquiring about activities in Central America and any links with the Contras. . . . ((Meneses)) is currently in jail in Managua for trafficking 800 pounds of cocaine. DEA [has been alerted] that Meneses will undoubtedly claim that he was trafficking narcotics on behalf of [CIA] to generate money for the Contras. Query whether Station can clarify or amplify on the above information to better identify Meneses or confirm or refute any claims he may make. HQS traces on FNU ((Meneses)) reveal extensive entries. One possible hit is: Norwing [*sic*] ((Meneses)) Cantarero, who was a kingpin of narcotics trafficking in Nicaragua prior to the fall of Somoza . . . . one Norwin Meneses probably identical to above kingpin, was involved in drug activities in Costa Rica. He was apparently known as the Nicaraguan Mafia, dealing in drugs, weapons, smuggling and the laundering of counterfeit money.

113. In response, the Station provided the following information to Headquarters on December 5, 1995:

> Based on our traces and HQS . . . information, we presume the individual to whom DEA referred to be Norwing [*sic*] ((Meneses)) Cantarero. We have no information, however, substantiating his claims to have been actively involved in the Contra movement, nor do we know whether [CIA] was ever in touch with him if he was.

114. Headquarters responded to the Station with the following additional information on December 14, 1995:

> Please pursue inquiries on [where Meneses] resides or in incarcerated .... We are still very anxious to verify whether Meneses exists, and whether there was ever any [CIA] contact with him .... The only additional information we have on Norwin ((Meneses)) is that in late 1986 he was one of three individuals arrested by Los Angeles County Sheriff's Department on narcotics related charges. Meneses was described as an accomplice of Ronald ((Lister)), also arrested. Lister claimed that for many years he had assisted in supplying small arms and helicopters to [CIA] contacts in Latin and Central America. [Headquarters] traces give no indication that Juan Norwyn [*sic*] ((Meneses)) Cantarero a.k.a. Norwin Meneses was ever employed by, or an informant for [CIA].

115. No other information concerning Blandon, Meneses or Lister has been found in CIA records. Additionally, no information has been found in CIA records to indicate that there has ever been any relationship between CIA and Blandon, Meneses or Lister.

116. ***CIA Records: Weekly.*** No information has been found in CIA records to indicate that Weekly--who Lister said was his "CIA contact"--had any relationship with CIA. Additionally no information has been found in CIA records to indicate that Weekly claimed to have worked for CIA on behalf of the Contras. Media reporting also indicates that Weekly does not claim to have worked for CIA on behalf of the Contras. Although Lister alleged in the 1980s that Weekly was his "CIA contact," he did not make this allegation in his 1997 interview with CIA/OIG and DoJ/OIG.

117. No information has been found to indicate that Weekly had any connection to the drug trafficking activities of Ross, Blandon, Meneses, and Lister. CIA records, however, include information regarding Weekly's activities in connection with a private group concerned with Prisoner of War/Missing in Action issues in the 1980s. In addition, CIA records include a Bureau of Alcohol, Tobacco and Firearms (BATF) report that Weekly was arrested in 1986 for

carrying explosives on a commercial airliner. The BATF report indicated that Weekly claimed he had done this for CIA. No information has been found to indicate any relationship between Weekly and CIA, or any information to support his 1986 claim that he carried explosives on a commercial airliner for CIA. No information has been found to indicate that CIA was ever asked to respond to Weekly's purported claims during his trial.

118. **Individual Statements.** Ross, Blandon, Meneses, Lister, and Miranda were each interviewed. Each was asked whether he had any prior dealings or relationship with CIA. Each denied any such dealings or relationships.

119. ***Individual Statements: Ross.*** Ross was interviewed at the Federal Bureau of Prisons, Metropolitan Correctional Center, San Diego, California, where he is serving a life sentence without parole for conspiracy and possession with intent to distribute cocaine. Ross states that he has dealt with no one, directly or indirectly, who claimed to be a CIA employee or representative. He also denies that he ever had any relationship with CIA or the Contras or that either organization had anything to do with his drug trafficking activities in Los Angeles or elsewhere.

120. Ross states that he believes CIA was somehow involved with Blandon and Meneses, but acknowledges that he has no information to support this contention other than his belief that Blandon received a relatively short prison term. Ross says that he never saw Blandon deal with anyone other than persons Ross already knew to be narcotics dealers. Ross adds that he never saw Blandon meeting or dealing with anyone whom Blandon claimed was a representative of CIA or the U.S. Government.

121. ***Individual Statements: Blandon.*** Blandon states that he has never had any relationship with anyone employed by or in any way connected to CIA. According to Blandon, he never previously met with anyone from CIA.

122. ***Individual Statements: Meneses.*** Meneses was interviewed in Tipitapa Prison, Managua, Nicaragua. He denies that he ever had any contact or relationship with CIA, DoS, the U.S. military, or U.S. civilian assistance groups that provided assistance to the Contras. He also denies that he trafficked in cocaine or other narcotics on behalf of CIA or any Contra group.

123. ***Individual Statements: Miranda.*** Miranda was arrested in November 1991 along with Norwin Meneses in connection with the attempted transshipment of 764 kilograms of cocaine through Nicaragua to the United States. He was interviewed in Masaiya Prison, Grenada, Nicaragua.

124. Miranda claims that the Sandinistas believed that Norwin Meneses worked with CIA to arrange flights carrying arms. Miranda says that Meneses told him sometime in the late 1980s that he was working for the Contras and that he had the support of CIA. Miranda says Meneses also said he was receiving support from Oliver North and that he was passing on funds to support Contra groups. Miranda could provide no information to corroborate his claims, including those that Meneses had smuggled drugs for the Contras and had the sanction of CIA for those activities.

125. Miranda states that the Sandinistas were involved in trafficking to raise funds and that he was personally involved in this effort from 1981 until 1985. He says that he was asked by his superiors in the Sandinista military to contact Meneses in 1981 about the possibility of drug trafficking on behalf of the Sandinistas, but that Meneses declined to participate. Miranda states that Meneses told him that Colombian aircraft would transport cocaine to Costa Rica where it would be transferred to other planes that had brought weapons for the Contras from the United States. The aircraft returning to the United States would land near Ft. Worth, Texas from which the cocaine would be shipped by ground vehicles to California.

126. In commenting on Enrique Miranda Jaimie, Meneses explains that Miranda was a childhood friend who had worked in

Meneses' construction business in 1991. Meneses believes that Miranda acted on behalf of the Sandinistas to implicate him in the narcotics trade, but denies ever being asked by Miranda to traffic in drugs to support the Sandinistas.

127. ***Individual Statements: Lister.*** Lister is a former member of the Laguna Beach, California Police Department and a convicted felon. Lister was also a member of the Los Angeles County Sheriff's Department as well as the Maywood, California Police Department. Lister says that, after leaving law enforcement in 1980, he started Pyramid International, a private physical security company. Lister also states that he formed Mundy Security Group, another private security firm.

128. In 1981, Lister says he met both Blandon and Meneses and began selling cocaine for Blandon shortly thereafter. Lister denies he was ever an employee of CIA or that he was ever approached by any employee of CIA with any request to assist Blandon or the Contras in any legal or illegal activity.

129. Lister states that he met Blandon through a Beverly Hills business connection in late 1981 and Blandon, in turn, introduced Lister to Meneses. Lister provided physical security for both men and reports that both always paid him in cash. Lister recalls that one of Lister's employees, Bill Downing, told Lister shortly after Lister met Blandon that Blandon and Meneses were cocaine dealers. Lister states that Downing was the first to broach the idea of selling cocaine for Blandon. Lister approached Blandon and "began doing business with him right away." Lister states he would get cocaine from Blandon and give it to Downing who would sell the product to his friends. Lister had the impression that Blandon wanted to keep Lister away from Meneses.

130. Lister was not aware of all of Blandon's sources for cocaine, but was aware Blandon often got cocaine from Colombian suppliers Roger Sandino and Aparicio Moreno. Lister states that he went with Blandon on trips to Colombia and was present when Blandon made deals with the Colombians. Lister recalls that the

price of one kilogram of cocaine went from approximately $60,000 in 1982 to a low of approximately $20,000 in 1986 when Lister stopped distributing for Blandon.

131. Lister states that, prior to the *San Jose Mercury News* articles, he had never met Ross or heard Ross' name. He does recall a November 1985 drug deal in which Blandon instructed Lister to deliver 100 kilograms of cocaine to a "good black client" in South Central Los Angeles. Lister states that he and another of Blandon's associates drove one of Blandon's cars containing three boxes of cocaine to a restaurant in South Central Los Angeles and met with Blandon. Lister recalls the original source of the cocaine provided to the buyer by Blandon was a Colombian student at a local college. Lister states that Blandon met with the "black client" and exchanged the cocaine for $2.95 million. Lister then transported the money for Blandon as they left. Lister recalls he was paid $50,000 for this deal. Lister now assumes that the buyer was Ross because Blandon told him the "black client" was the "biggest dealer" he dealt with. However, Lister cannot provide any evidence to support his belief.

132. Lister recalls that Blandon and Meneses would occasionally speak about the Contras and their desire that the Contras win the war in Nicaragua. Blandon would say, "We do business [drug dealing], but we want to get the Commies out." Lister states that Blandon made statements about his desire to help the Contras, but "the money always went back into our pockets." Lister says he was not aware of any effort on Blandon's or Meneses' part to fund or supply the Contras. Lister characterized Blandon's statements concerning his desire to help the Contras as "beer talk" as opposed to any serious organized effort. Lister states that he would have been very surprised if any significant amount of Blandon's money went to the Contras because "we were drug dealers. We did it to make money for ourselves."

133. Lister does recall that Blandon asked him for help in the 1982-1983 time frame to buy weapons, some of which Blandon claimed were going to "my friends down South." Lister states that Blandon did not specify whether this referred to the Contras or his

Southern California drug customers. Lister states that he, Downing and another employee, Ronald Orgle, bought a total of 15 to 20 semi-automatic weapons for Blandon. The weapons were assorted handguns, semi-automatic Uzi machine pistols, KG99 "Tec-nine" machine pistols, and possibly semi-automatic AK-47's. Lister says he did not purchase ammunition for Blandon, but recalls purchasing a small number of commercially available "off-the-shelf" night vision devices for Blandon. Lister says he does not know what Blandon did with the devices.

134. Lister also recalls that he traveled to Hialeah, Florida, sometime in 1982 or 1983 and met with a Contra member named "Dr. Sabario" in an effort to sell "military supplies" to the Contras. Lister states that the military supplies were commercially available equipment such as non-reflective paint for equipment and surveillance detection gear of the type that can be purchased at electronic shops and "spy" stores. Lister states that this meeting with Dr. Sabario did not have any connection to Blandon, but was part of Lister's private security business. Lister states that, in the end, no purchases were made from him by the Contras.

135. Regarding the October 27, 1986 search of Lister's and Blandon's residences, Lister states that the LASD surveillance of his residence was spotted and made him aware of the impending searches. Lister recalls that one of his neighbors told Lister a couple of weeks before the October search that the neighbor had seen two men with "police-type" radios watching Lister's house and taking notes. Based on this, Lister assumed the police were about to arrest or search him. Lister told Blandon and Lister's attorney, Joseph Heneghan, about the incident. Lister states that Blandon simply smiled, but did not comment. Heneghan told Lister to call him if police arrived, but not to let them in without a warrant.

136. Lister recalls that five LASD deputies appeared at his door on the day of the search and told him that they had a valid warrant to search his prior residence, but would wait on his doorstep until they obtained another warrant for his present residence. Lister states that, despite the fact that the LASD did not have a warrant for his current

residence, he chose to allow the search so as not to attract notice from his neighbors. It was at this time that Lister told the lead deputy, "You should not be here. I'm going to make a call." Lister states he was referring to a telephone call to his attorney and not "Mr. Weekly at the CIA" as was later reported in the *San Jose Mercury News* series. Lister denies he made any claims of a CIA connection or that he intended to call CIA. In his 1997 interview with CIA/OIG and DoJ/OIG representatives, Lister says he did not allege in the 1980s that David Scott Weekly was his "CIA contact."

137. Lister states that he did not call his attorney until after the deputies had departed. Lister states that, during the search, one of the deputies found one of the night vision devices he had obtained for Blandon and stated, "What are you . . . CIA?" Lister states that he denied any CIA connection, but did tell the deputies that he supported the Contras and that he had been in El Salvador.

138. Concerning the alleged "CIA documents" that the *San Jose Mercury News* series reported were seized by the LASD, Lister states that what was seized at his house and later reported in the newspaper as "CIA documents" was actually a hand-written business journal that he had prepared to document future legitimate business opportunities for his security company. Lister states that he was not in possession of any "CIA papers" at any time.

139. Lister also refutes the claim in the "Dark Alliance" series that "federal agents swooped down on the LASD and took the evidence which was seized at his house." Lister states that, to his knowledge, the only person who went to the LASD to retrieve property was Heneghan, acting in his capacity as Lister's attorney.

140. Lister states that he cooperated with the Costa Mesa Police Department and also helped the San Francisco FBI office on a narcotics case. Lister states that in 1989 he worked with several FBI Special Agents to target a Central American drug dealer named Nelson Magana. Lister says he had previously sold cocaine to Magana, and an FBI Special Agent wanted to use him against Magana. Lister claims that an FBI Special Agent was convinced that

Lister, Blandon and Meneses were connected with CIA. Lister claims that FBI Special Agent wanted to prove a connection between the U.S. Government, the Contras and drug smuggling.

141. In discussing his cooperation with the DEA and the San Diego United States Attorney's Office, Lister states that he cooperated with the U.S. Government in its targeting of Blandon. Lister states that he attempted to cooperate honestly with Deputy United States Attorney Amalia Meza and a DEA Special Agent, but that both accused him of not keeping his end of their agreement and of continuing to engage in criminal activity. Lister states that the DEA Special Agent also accused him of laundering money for members of a Colombian drug cartel. Further, the DEA Special Agent accused Lister of stealing money from the cartel and then telling the Colombians that their money was "with the CIA." Lister denies these charges, but admits that he traveled to Mexico without telling the DEA Special Agent or Meza. Lister states that the DEA Special Agent returned him to jail, but later offered to give him protection from the Colombians. Lister states that he declined the DEA Special Agent's offer.

142. Lister asserts that he has never told anyone that he worked for or with CIA. He claims that the "Dark Alliance" series is "ridiculous," and says he does not believe the claim that Blandon was financing the Contras or that CIA was involved. Lister states that all the rumors about his connection to CIA are "mist and fog" perpetuated by *San Jose Mercury News* reporter Gary Webb and members of Congress. Lister admits that people may have received the impression that he was connected with CIA and that such misconceptions did not hurt his security business, but this was not his intention. Lister also states that he was never asked by anyone claiming to be connected with CIA to provide any support for the Contras or to smuggle cocaine on behalf of the Contras or CIA.

143. ***Other Individual Statements***. Deputy to the United States Attorney for Special Prosecutions Amalia L. Meza, Southern District of California, states that she was formerly assigned to the Narcotics Section in the United States Attorney's Office. Meza recalls that she

prosecuted Lister in 1989 in connection with a "buy-bust" scenario in which Lister attempted to sell approximately five to six kilograms of cocaine. Meza recalls that Lister agreed to cooperate with Narcotics Task Force agents and provided information regarding the source of his cocaine. Shortly thereafter, the DEA Special Agent advised Meza that he was interested in talking to Lister about a cocaine smuggling organization led by Blandon. While Lister was still in custody, Meza approached his attorney about enlisting Lister's cooperation in the Blandon investigation.

144. Meza states that Lister's attorney, Lynn Ball, indicated he would check with Lister to see whether Lister was interested in assisting the U.S. Government with the Blandon investigation. According to Meza, Ball indicated that Lister was going to have to check with "the Agency" first to see if he could provide information regarding the Blandon organization. Ball later indicated that Lister had been given "clearance" to cooperate. Meza and the DEA Special Agent say they assumed Lister was referring to CIA, but did not ask. Lister entered into a plea agreement that could reduce his sentence based on future cooperation.

145. Meza further recalls that the DEA Special Agent requested that Meza facilitate Lister's release from custody so he might assist the DEA Special Agent in the Blandon investigation. A warrant for Lister's arrest had been issued in connection with a state narcotics action in Orange County. Meza says she and the DEA Special Agent met with Orange County Deputy District Attorney Craig Robison to request that the arrest warrant be withdrawn so that Lister could be released from custody and provide assistance to DEA. Robison was very angry with Lister and explained that Lister had "conned" Robison into arranging Lister's release ostensibly to work on cases, but then had been arrested in San Diego. Robison warned Meza and the DEA Special Agent that Lister would do the same to them, but agreed nonetheless to work with the Meza and the DEA Special Agent in getting Lister released. The DEA Special Agent assured Robison that he would closely monitor Lister. Thereafter, Lister was released on a personal appearance bond that restricted his travel to California and required him to stay in close contact with DEA.

146. Meza recalls that Lister alluded to CIA during debriefings, but no one from the investigative team pursued that subject. The focus of the U.S. Attorney's investigation was on cocaine smuggling. Meza says she never questioned Lister about, nor allowed him to discuss, any involvement of CIA or any other U.S. Government agency during these debriefings.

147. Meza recalls that the DEA Special Agent learned in June 1991 that Lister was engaged in laundering drug money for Colombians and had failed to return $500,000 to them. According to Meza, this information was corroborated and the Colombians wanted their money back, but Lister had told them he could not return it yet because it was "with the CIA." Reportedly, this did not assuage the Colombians, and the Colombians had put out a murder contract on Lister.

148. Meza says DEA decided to terminate its relationship with Lister immediately, and arrest and search warrants were obtained. Lister was arrested upon his return to the United States and admitted to the DEA Special Agent that he had been to Mexico in violation of his bail conditions. Meza proceeded with the sentencing for Lister relating to the "buy-bust" case, and the U.S. Government no longer allowed Lister to cooperate or provide any information regarding the Blandon organization. There were no further meetings with Lister, and Meza refused to request a reduction in sentence based upon Lister's cooperation.

149. Meza states that she also ceased working on the Blandon narcotics investigation at that time. Meza states that she did not halt her investigation of Blandon due to any CIA or governmental interference and no pressure was received from anyone or any agency to discontinue the Blandon investigation. She states that at no time did anyone from CIA contact her about Lister or the Blandon organization. Meza terminated her cooperative relationship with Lister solely because he proved to be untrustworthy and unreliable as a source of information. Meanwhile, Assistant U.S. Attorney L. J. O'Neale continued developing his money laundering

investigation of Blandon, an investigation that had other reliable and credible witnesses. It was this investigation that led to Blandon's arrest and ultimate incarceration.

150. Craig Robison, a former Orange County Deputy District Attorney who is now a municipal judge, recalls that Lister was arrested in 1988 by Costa Mesa, California police after selling approximately one kilogram of cocaine to an undercover officer. Robison states that Lister came to the attention of the Costa Mesa Police Department because Lister told a local prostitute that he was a drug dealer. The prostitute was an informant for the police and turned Lister in to narcotics officers.

151. Robison, who is also a former police officer, recalls that Lister was a former Laguna Beach police officer. At the time of Lister's arrest, Robison handled narcotics cases exclusively and began working with local detectives who requested that Lister be released to work as their informant. Robison recalls that Lister was released on personal recognizance and helped the Costa Mesa Police Department set up a 10 kilogram cocaine and marijuana bust that targeted a local real estate agent and a former local judge. Robison also believes Lister aided the San Francisco FBI Field Office in a narcotics case there, but he does not recall any of the specifics. Robison also recalls members of the Costa Mesa Police Department saying something to the effect that Lister was telling people that he "worked with the CIA."

152. Robison recalls meeting with Meza concerning her request to use Lister as an informant in one of her investigations. Robison has no independent recollection that the investigation was targeted against Blandon, but is aware of this now as a result of media reports. Robison states he met with Meza and a federal agent--probably a DEA Special Agent--and agreed to have Lister's original arrest warrant for his one kilogram sale of cocaine to the local undercover officer withdrawn so he could cooperate with Meza. Robison says he warned Meza and the agent that Lister "was trouble and had provided false information" to the Costa Mesa Police Department.

Robison states that Meza and the federal agent understood this but chose to use Lister nonetheless.

153. Robison states that he purposely had little contact with informants, but recalls Lister as a former police officer and "a pretty disgusting guy." Robison does not take Lister's claims of a CIA connection seriously and states that he was never approached by anyone claiming to be a representative of CIA with any request to stop any investigation of Lister.

154. ***Individual Statements: Ruppert.*** Michael Ruppert, a former Los Angeles Police (LAPD) officer, was interviewed by telephone after he attended former DCI Deutch's appearance at a Los Angeles "Town Hall" meeting on November 15, 1996 to address the issues raised by the *San Jose Mercury News* "Dark Alliance" series of articles. During DCI Deutch's appearance, Ruppert claimed that he had evidence of CIA participation in drug trafficking.

155. Ruppert states that he was an LAPD officer from 1973 to 1978, and alleges that he was forced to leave the LAPD after he uncovered a connection between the CIA and narcotics traffickers operating in California and Louisiana. Ruppert also claims that this connection involved elements of the organized crime underworld. Ruppert also states that he is aware of "mob" participation in the Bobby Kennedy assassination. According to Ruppert, he learned of the CIA/narcotics connection from his former girlfriend, Theodora D'Orsay, who Ruppert states also worked for CIA.

156. Ruppert states that he has never met Juan Norwin Meneses, Oscar Danilo Blandon, or Ricky Ross, but says he has met Ross' attorney, Alan Fenster. Ruppert says that he comes from a "CIA family" and is aware of a connection between Meneses, Julio Zavala and "The Frogman Case." Ruppert states, however, that his only source of information concerning that case and a Meneses/Zavala connection has come from media sources. Ruppert also states that he has been a close friend of former DEA Special Agent Celerino Castillo since 1993 and that Castillo has given him additional, unspecified, information.

157. Ruppert claims that he was first approached to join CIA in 1973 while he was a senior at the University of California, Los Angeles. Ruppert states he was brought to Washington, D.C. and met with a CIA recruiter at the Old Executive Office Building. The recruiter allegedly told him that CIA wanted Ruppert to join the Agency and be "sheep dipped" back to the LAPD. Ruppert has no specific information regarding what duties a "sheep dipped" CIA employee would perform with the LAPD nor is he able to define that term. Ruppert states that he declined the recruiter's offer. Ruppert states that he is aware of another LAPD officer who was "sheep dipped" by the CIA and placed undercover in a Mexican weapons factory. Ruppert states that this officer was placed in the factory to support the Contras.

158. Ruppert also states that he is aware of involvement in narcotics trafficking on the part of former President George Bush. Ruppert claims that then-Vice President Bush was the head of "Operation Amadeus," or "Operation Amadeous." Ruppert has no specific details regarding this operation, but claims that he met with an unidentified aide to Vice President Bush on October 26, 1981 to discuss CIA involvement in a drug smuggling operation which involved the former Shah of Iran and the Iraqi Government. Ruppert states that the operation involved an effort to fund the Iraqi Kurds through narcotics trafficking.

159. No information has been found to indicate that Michael Ruppert has ever had any relationship or contact with CIA. Additionally, no information has been found to indicate that Ruppert had any connection with the Contras. No information has been found to indicate that CIA was involved in "Operation Amadeus" or "Operation Amadeous" or that an operation such as that described by Ruppert was ever considered or conducted by CIA. No information has been found to indicate that there was any "sheep dipping" program--presumably, use of LAPD as cover for CIA officers--involving CIA and the LAPD. No information has been found to indicate that Ruppert's former girlfriend, Theodora D'Orsay, has had any relationship or contact with CIA.

CONCLUSION

160. **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

WAS THE DRUG TRAFFICKING OF ROSS, BLANDON OR MENESES LINKED TO CIA OR CONTRA ACTIVITIES?

161. **Individual Statements: Ross.** Ross states that he began dealing powdered cocaine in 1979 or 1980 and was introduced to the cocaine trade by one of his former vocational school teachers. Ross also says he learned to "cook" powdered cocaine into crack cocaine from another Los Angeles acquaintance sometime in 1981. Ross recalls that, prior to his introduction to Danilo Blandon, "I had the market in [Los Angeles]. I was the largest cocaine supplier at the time." He says that by 1981, he had access to and could sell "pound" quantities of cocaine. He says that his suppliers at the time were cocaine dealers Henry Corrales and Ivan Torres and that he was larger than any other Los Angeles cocaine dealer that he knew of in the 1982 time frame. "I knew this because it was my business strategy to know my competitors and stay on good terms with them," Ross says.

162. Ross states that he met Blandon through Corrales in mid-late 1983 and began by buying ounce quantities of powdered cocaine from Blandon. Ross estimates that his business had grown so much by 1984 that he was purchasing approximately 100 kilograms of cocaine each week from Blandon. Ross further states that at the same time he was buying cocaine from Blandon, he bought between 40 and 100 kilograms a week from Ivan Torres. By 1984, he says, all of his customers wanted crack instead of powder. Selling crack from "rock houses" was his biggest money maker. He says he had six or seven such houses in South Central Los Angeles that were used exclusively for this purpose.

163. Ross estimates that, at the height of his business in 1985, he was buying and reselling up to 700 kilograms of cocaine a month and was making between $1 to 2 million a day from cocaine sales. Ross states that he continued to obtain his cocaine from Blandon until 1988 or 1989 when he claims to have stopped dealing in drugs. Ross states that, during his time in the cocaine trade (1979-1989), he sold

cocaine in Ohio, Florida, Missouri, Texas, Washington State, Indiana, Oklahoma, and Louisiana, as well as California.

164. Ross states that he did not know many of Blandon's cocaine suppliers and did not know how Blandon imported cocaine from overseas into the United States. Ross states he did know that Blandon dealt with a Colombian who was nick-named "Fluco" [*sic*] and another man named "Tony" from New York. Ross never learned Fluco's or Tony's real or full names or the narcotics organizations with which they were associated. Ross also states that he never personally met Norwin Meneses or Ronald Lister.

165. Ross states that Blandon often spoke of Nicaragua, but never mentioned the Contras, CIA or any effort to give money to the Contras. Ross states that Blandon only spoke to him about the possibility of investing in a business idea of Blandon's to export legitimate U.S. merchandise to Nicaragua. Ross states that Blandon also attempted to get him to invest in other legitimate business ventures at various times.

166. Ross states that, while Blandon was still living in California, Ross bought several handguns, as well as semi- and fully-automatic machine guns and pistols--including Uzis, Mac 10s, Thompson submachine guns, and AK-47 assault rifles--from Blandon. Ross states that he and other members of his 30-person drug organization stored weapons in an unregistered automobile that was later impounded by one of the local California police departments. Ross states that Blandon only supplied him with weapons and that he had his own source for ammunition.

167. Ross states that he believes that the *San Jose Mercury News* series "Dark Alliance" is true and that CIA was involved with Blandon. Ross states that this belief is based solely on what he has learned from the media and what he and his attorney, Alan Fenster, have been told by *San Jose Mercury News* reporter, Gary Webb. Ross states that Webb provided information about the allegations of CIA involvement in drug trafficking to him and Fenster and told Fenster what questions to ask witnesses at Ross' trial. But for Webb, says

Ross, he and his attorney would have had no information regarding the CIA and Contra allegations. However, Ross states, "I was a small fish compared to Blandon . . . . It just makes sense to me that [Blandon] is CIA because of the great deal Blandon got from the prosecutors."

168. **Individual Statements: Blandon.** Blandon says he left Nicaragua in June 1979 following the overthrow of Anastasio Somoza, and resettled in the United States, initially in Miami, later in Los Angeles. He recalls that he sold used cars before becoming involved in the cocaine trade.

169. Blandon states that he first met Norwin Meneses in 1981 through a mutual friend from Nicaragua. Although Blandon states he knew the family name and was aware that Meneses had a reputation as a "Nicaraguan Mafia type," he also states that he did not know Meneses was a cocaine trafficker in the United States when they were introduced. A short time after their introduction, however, Meneses offered to "help" Blandon by giving him cocaine to sell. Blandon states that Meneses provided him with two kilograms of powdered cocaine at no cost on the understanding that each cost $60,000 and that repayment would be made out of the sales profit. Blandon sold this cocaine to co-workers at the used car dealership where he worked and paid Meneses.

170. Blandon recalls that he made approximately $40,000 in profits from the cocaine trade in 1981 and 1982. Blandon states that he and Meneses stopped working together in the cocaine trade sometime in 1983 after a dispute.

171. Blandon states that he first became involved with black drug dealers from South Central Los Angeles in 1984, and that he was introduced to Ross by another drug trafficker sometime that year. However, he says he did not sell any cocaine to Ross until about 1985. Blandon states that he continuously supplied Ross with cocaine for only two years, 1985 and 1986.

172. Blandon recalls that his first deal with Ross was for 12 kilograms of cocaine, after which Blandon supplied Ross with two to three kilograms a day. To simplify the logistics of supplying Ross, Blandon later gave Ross 25, or occasionally 50, kilograms at a time. Blandon denies--as is claimed by Ross--that he provided Ross as much as 100 kilograms weekly.

173. Blandon acknowledges supplying Ross with guns. Blandon says he purchased them from Lister, but denies that he sold Ross large quantities of weapons or any type of gun that could not be purchased at a local sports or gun shop. Blandon says he did not have access to military weapons and did not supply such weapons to Ross.

174. At some point in 1985, Blandon recalls, he began dealing with a drug dealer named Aparicio Moreno. Blandon was introduced to Moreno by Meneses. Blandon says he worked with Moreno until 1987 and was involved in at least one one-ton delivery that was delivered by air via Oklahoma. Blandon recalls that he and his associates thought "the plane might be connected to the CIA because someone had placed a small FDN sticker somewhere on the airplane. This was just a rumor though."

175. Shortly after his arrival in Los Angeles, Blandon says he met and began socializing with 20 or so other Nicaraguan expatriates. Blandon states that the group met weekly to talk about developments in Nicaragua and that the other members of this group also opposed Somoza and the Sandinista regime.* Blandon recalls that the group was a loose affiliation with no formal structure, officers, or membership requirements, etc. Blandon states that the Nicaraguan expatriates simply came together to share common experiences and discuss their mutual desires to see the Sandinista Government out of Nicaragua. Blandon states that this group of "California Contra sympathizers" held no position whatsoever in the official FDN military or civilian leadership in Honduras. Blandon states that, sometime in 1981, the group, like many others around the country,

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* The *San Jose Mercury News* reports that Blandon met Meneses in connection with this group.

was visited by Colonel Enrique Bermudez, who was then the military leader of the FDN. Blandon states that Bermudez came to a meeting of the group to give a "pep talk" and to ask that the group keep the idea of a free and democratic Nicaragua alive by publicizing the Contra cause in the United States.

176. Blandon states that Bermudez asked the group at this meeting to adopt the colors and flag of the FDN. From that time on, Blandon and the other members of the group called themselves FDN and used the FDN's colors, flag and letter-head. Blandon states, however, that at no time during this or subsequent meetings did Bermudez ask Blandon or the "California sympathizers" to raise funds by trafficking in drugs.

177. Blandon recalls that he gave several thousand dollars --he was unable to furnish an exact amount--to the California-based Contra sympathizers in 1981-82. Blandon states that he never told anyone in the group that the money came from drug trafficking, but rather gave the impression that the money was derived from his legitimate business activities. Blandon states that this money was used to support the operating expenses--plane tickets, rent, office supplies, etc.--of the California sympathizers and that none of this money went to support Contra operations in Central America.

178. Blandon states that, while both he and Meneses continued to attend meetings of the California sympathizers, they also continued their cocaine business. He and Meneses traveled to Bolivia in 1982 to make a drug deal, and stopped en route in Honduras to see some of Blandon's family friends. It was during this stop in Honduras, Blandon states, that he and Meneses met Bermudez for the second time.

179. According to Blandon, Bermudez told them of the trouble FDN was having in raising funds and obtaining equipment and asked him and Meneses to help, stating that "the ends justify the means." Blandon states that Bermudez never asked either of the men to raise money through drug trafficking and states his belief that Bermudez was not even aware that he and Meneses were already in

the drug business. Blandon states that Bermudez also asked whether the two men could assist in the procurement of weapons, but that neither followed through in helping to obtain weapons for the Contras.

180. Blandon states that, after this meeting, both he and Meneses were escorted to Tegucigalpa airport by armed Contras. Unbeknownst to Bermudez and the Contras, Blandon says he was carrying $100,000 in drug proceeds to be used in the Bolivian drug deal. In the process of departing the airport, Blandon was stopped and detained by Honduran officials. Blandon states that his Contra escorts, seeing that Blandon had been detained with money, assumed that Blandon had been given the funds by Bermudez to purchase arms for the Contras. As a result, the Contras interceded on Blandon's behalf, effected the return of the money and secured Blandon's release.

181. In securing his release, Blandon recalls, the Contra escorts told the Honduran airport authorities that Blandon and Meneses were Contras. Blandon states he was allowed to leave the next morning and that he then joined Meneses, who had not been detained and who had been allowed to travel to Guatemala. According to Blandon, the intercession of the Contra escorts was fortuitous.

182. Blandon says he can only recall one occasion during his association with the California Contra sympathizers when he purchased anything of any real substance with drug profits for the group. Blandon states that on one occasion he used $2,000 or $3,000 in drug profits to put a down payment on a pickup truck to be used by FDN military forces. Blandon obtained the truck, filled it with medical supplies and radios, and turned it over to others to drive to Central America. He says that the truck was, in fact, later used by the FDN in Honduras. Blandon states that all of his later donations were in the form of much smaller amounts over a period of time and that those funds were used for office supplies for the California group. In total, Blandon estimates that he gave approximately $40,000 over the

entire course of his association with the California Contra sympathizers.

183. Blandon says he does not know the total amount of money that Meneses gave the California sympathizers. He estimates, however, that Meneses may have given the group as much as $40,000 from drug profits during 1982-83. These were not cash donations, Blandon states, but instead involved payment by Meneses of various operating expenses such as plane tickets and office supplies. Overall, Blandon characterizes Meneses' role vis-à-vis the California sympathizers as primarily that of a "personnel recruiter" for the group.

184. Blandon recalls that he met Bermudez a third time at some point in 1983. Bermudez reportedly told the California group at that time that the FDN needed people, not money, because the CIA was providing money.

185. Blandon states that his final meeting with Bermudez occurred in 1983 at a Fort Lauderdale hotel where a "unification summit" of the five top Contra leaders was held. Blandon says he cannot recall all of the participants, but recalls that Bermudez and a member of the Chamorro family attended. Blandon states that he and several other California sympathizers were invited to attend but did not participate in decisionmaking meetings. Blandon states that he came away from the summit dissatisfied with the political leanings of the leaders and thereafter donated no money, from drug profits or other sources, to the FDN.

186. Despite this cessation of his support for the FDN, Blandon states, he did arrange a meeting between Lister and members of the California FDN in 1983 or 1984. Lister had claimed that he could procure weapons and equipment for the Contras, but it is Blandon's assessment that no one in attendance at the meeting took Lister seriously and no deals were made. Blandon recalls that, in addition to the usual attendees, several top Contra leaders were also in attendance, including Eden Pastora, Adolfo Chamorro, and Mariano Montealegre. Blandon also says Ivan Torres was present.

The attendees showed no interest in Lister's offer and Blandon received the impression that the military arm of the Contras was already being supplied by CIA or another U.S. Government agency.

187. Although Blandon claims he made no further donations of money to the California sympathizers after 1983, he recalls having further contacts with various Contra personalities. However, he characterizes these contacts as being solely of a personal nature.

188. Blandon states that he allowed Eden Pastora, a leader of the Southern Front Contra movement, to live rent-free in one of his homes in Costa Rica from approximately 1984 to 1987. Blandon says he could have charged Pastora as much as $1,000 per month in rent if he had chosen to do so. Blandon states that "Pastora never asked me to raise money by selling drugs, but Pastora always asked everyone he came in contact with to help raise money for the Contra cause."

189. Further, Blandon recalls that, while living in California in 1985-86, he gave Pastora approximately $9,000 in funds for Pastora's personal use. Blandon states that these funds were derived from profits from his legitimate businesses. Blandon also says that he gave Pastora two automobiles to use in 1986. Blandon adds that, during the 1980s, he never informed Pastora that he was a drug trafficker and Pastora never asked. Blandon denies allegations that Pastora asked Blandon to bring him into the drug business.

190. Blandon states that he was never approached by any other person, including any U.S. or foreign government representative or member of any Contra group or faction, with any request to raise money for the Contras by drug smuggling or any other means. Blandon denies the allegation in the *San Jose Mercury News* that he "raised and funneled millions of dollars to the Contras by selling crack cocaine in California or anywhere else." The dollar sums that he says he provided are as follows:

- Blandon estimates that during his entire association with the California Contra sympathizers he donated approximately $40,000. He states that this money was used for the purchase of supplies and vehicles. Of this sum, Blandon estimates that approximately 70-80 percent derived from his drug business.

- Blandon estimates that the total monetary assistance he provided to Pastora was approximately $30,000. Blandon states that this amount includes the estimated value of the housing in Costa Rica that he provided Pastora rent free, both during and after the Contra conflict.

191. **Individual Statements: Lister.** Lister recalls that Blandon and Meneses would occasionally speak about the Contras and their desire for a Contra victory. He says that Blandon made statements about his desire to help the Contras, but "the money always went back into our pockets." Lister also characterizes Blandon's statements concerning his desire to help the Contras as "beer talk," rather than a serious organized effort. Lister states that he would be very surprised if any significant amount of Blandon's money went to the Contras because "we were drug dealers. We did it to make money for ourselves."

192. Lister does recall that Blandon asked Lister in the 1982-83 timeframe to help him buy weapons, some of which Blandon claimed were going to "my friends down South." Lister states that Blandon did not specify whether this referred to the Contras or his Southern California drug customers. Lister states that he and two colleagues supplied one or two guns monthly to Blandon, but he says that he does not know what Blandon did with the weapons.

193. Lister also recalls that he traveled to Florida sometime in 1982 or 1983 and met with a Contra member named "Dr. Sabario" in an effort to sell "military supplies" to the Contras. Lister states that this meeting did not involve Blandon and that, in the end, the Contras never made any purchase of supplies through him.

194. **Individual Statements: Pastora.** Pastora denies that he was involved in any effort to raise money for the ARDE by trafficking

in drugs. Pastora states that he received money from several persons who later were arrested for, or convicted of, drug trafficking. Pastora states, however, that he did not learn that any of the donations he received were from narcotics trafficking until after those involved had been arrested.

195. Pastora acknowledges that, while he led the Southern Front forces, he received funds and the use of a C-47 cargo aircraft, as well as another smaller aircraft, which had been donated by narcotics trafficker Jorge Morales. Pastora states that he was not aware of Morales' drug trafficking activities until October 1984. Pastora states he canceled the cooperation deal in early January 1985 when he realized the potential political fallout from dealing with a narcotics trafficker. Pastora says he ordered the planes donated by Morales be returned when he learned Morales was a drug trafficker.

196. Pastora states that, in addition to the aircraft provided by Morales, he also received approximately $40,000 from Morales for various expenses. Pastora states that he also received approximately $20,000 from a Cuban, whose name Pastora could not recall, who was later charged with drug trafficking. In addition, Pastora received approximately $40,000 and the use of two helicopters from Leo Fernandez, another Cuban living in the United States. Pastora states that former Panamanian General Manuel Noriega gave him approximately $25,000 over the course of Pastora's visits to Panama.

197. Concerning Blandon, Pastora states that he was given two used pickup trucks by Blandon whose value Pastora placed at approximately $1,500 each. Pastora states that "it cost me more to get the trucks to Costa Rica than they were worth." Pastora states that Blandon also gave him approximately $6,000 and allowed Pastora to live rent-free in one of Blandon's houses.

198. **Individual Statements: Meneses.** Norwin Meneses claims that he was falsely implicated in the cocaine trade by pro-Sandinista elements of the Nicaraguan Government and by fellow Nicaraguan and convicted drug trafficker Enrique Miranda Jaimie.

Despite his conviction in Nicaragua, Meneses denies that he was ever involved in cocaine trafficking in the United States or elsewhere.

199. Meneses denies that he ever raised money for the FDN or any other Contra organization by smuggling cocaine and diverting the profits to the Contras. In fact, Meneses denies that he was a fund-raiser for the California sympathizers and estimates that he gave the California FDN at most approximately $3,000 between 1982 and 1984. Meneses states that the funds were always in small amounts--$50 or $100 at a time--and were provided to pay local operating costs of the group.

200. Meneses states that he was never asked by Adolfo Calero, Enrique Bermudez, or any other member of the Contras to raise funds through drug smuggling. Meneses states that he and other sympathizers were well aware that "Bermudez was very strict and did not want anyone involved in drugs to be involved in the [Contra] movement." In addition, Meneses states that he is not aware of any other Contra members or sympathizers who were involved in drug trafficking for personal profit or as a method of raising funds for the movement.

201. Meneses states that, between 1983 and 1984, his primary role with the California sympathizers was to help recruit personnel for the movement. Meneses says he was asked by Bermudez to attempt to recruit Nicaraguans in exile and others who were supporters of the Contra movement. Meneses has no recollection, however, of the number of people that he may have recruited for the FDN.

202. Meneses states that he was not directed to recruit people with any specific skills--such as pilots or doctors, but was simply told to seek out anyone who wanted to join with the FDN. Meneses states that he was also a member of an FDN fund-raising committee, but was not the committee's head. Meneses states he did not raise "any significant amount of money" for the Contras during his association. Meneses adds that he was involved in 1985 in attempting to obtain

"material support, medical and general supplies" for the Contra movement.

203. Meneses states that he recalls Blandon telling him that he gave funds to the Contras, but Meneses says he does not know how much Blandon gave or the source of Blandon's funds. Meneses states that "Blandon tended to exaggerate his importance to people and may have inflated the amount of money he gave to the Contra movement in order to make himself appear more important."

204. **Individual Statements: Luis Meneses.** Arrested along with Norwin Meneses in November 1991 on narcotics trafficking charges was his older half-brother, Luis Enrique Meneses. Luis Meneses says he was a member of the military arm of the FDN and fought in the field with Bermudez and FDN forces. He states that he has no knowledge of anyone in the FDN leadership, the FDN rank and file, or officials of the U.S. Government being involved in cocaine trafficking.

205. Luis Meneses states that he has no knowledge that his brother, Norwin Meneses, or Blandon ever donated any money or equipment to any Contra group. Meneses states he is only aware that his brother Norwin helped the Contras by recruiting personnel from the Nicaraguan community in the United States. Luis Meneses says that his brother told him that he never gave any money to the Contras.

206. **Individual Statements: Miranda.** Miranda was arrested along with the Meneses brothers in 1991. He says that Norwin Meneses told him that Meneses' drugs were shipped from Colombia to public airfields he could not identify in Costa Rica. There, the drugs were transferred to cargo aircraft that then flew on to the United States. He says the aircraft were in Costa Rica and were empty because they had been used to transport arms from the United States to the Contras.

207. Miranda says Norwin Meneses also told him that Salvadoran military aircraft would transport arms from the United

States to the Contras and would return carrying drugs to an airfield near Ft. Worth, Texas. Miranda says Meneses allowed him to witness one shipment arriving near Ft. Worth. He says that, when the aircraft arrived, maintenance people took the drugs and gave them to Meneses' people who placed them in vans. Miranda says Norwin Meneses told him in later years that he ceased selling drugs for the Contras in 1985 when he moved to Costa Rica.

208. **Individual Statements: Renato Pena.** Renato Pena Cabrera is a convicted drug trafficker who says that he associated with Norwin Meneses and claims to have participated in Contra-related activities in the United States from 1982-1984. No information has been found to indicate that CIA had a relationship or contact with Pena or that he was of operational interest to CIA.

209. Pena says he met Norwin Meneses in 1982 at a San Francisco meeting of the FDN, for which he served as an official, but unpaid, representative of the political wing in northern California from the end of 1982 until mid-1984. Pena says he and Meneses met through Meneses' nephew Jairo, who was in charge of Norwin Meneses' drug network in the San Francisco area. Pena says Norwin Meneses had Contra-related dealings with FDN official Enrique Bermudez. Pena says that, when he was removed from his FDN position in mid-1984--possibly because Contra officials suspected him of drug trafficking--he was appointed to be the "military representative to the FDN in San Francisco," in part because of Norwin Meneses' close relationship with Bermudez.

210. Pena says he made from six to eight trips from San Francisco to Los Angeles between 1982 and 1984 for Meneses' drug-trafficking organization. Each time, he says he carried anywhere from $600,000 to $1,000,000 to Los Angeles and returned to San Francisco with six to eight kilograms of cocaine. Pena says that a Colombian associate of Meneses' told Pena in "general" terms that portions of the proceeds from the sale of the cocaine Pena brought to San Francisco were going to the Contras.

211. **CIA Records.** An October 22, 1982 cable from a DO/Domestic Collection Division (DCD) Station reported that a U.S. law enforcement entity had reported that:

> . . . there are indications of links between [a U.S. religious organization] and two Nicaraguan counter-revolutionary groups . . . . These links involve an exchange in [the United States] of narcotics for arms.

In addition, the cable said there was to be a meeting among the participants in Costa Rica regarding this exchange. According to the cable, the U.S. law enforcement entity also was in contact with another U.S. law enforcement entity regarding this matter. On October 27, 1982, Headquarters advised the DCD Station by cable that there was further interest in the report if the allegations "have some basis in fact" and asked the DCD Station to recontact the U.S. law enforcement entity for additional information.

212. After further consultation with the U.S. law enforcement entity that had provided the report, the DCD Station reported to Headquarters in a November 3, 1982 cable that it had learned that the attendees at the meeting would include representatives from the FDN and UDN, and several unidentified U.S. citizens. The cable identified Renato Pena as one of four persons--along with three unidentified U.S. citizens--who would represent the FDN at the Costa Rica meeting.

213. In the November 3, 1982 cable, the DCD Station Chief expressed concern regarding further CIA involvement in this matter because of the apparent participation of U.S. citizens. On November 13, 1982, Headquarters replied that "in light of the apparent involvement of U.S. persons throughout, agree you should not pursue the matter further."

214. No information has been found to indicate whether the meeting took place. However, a November 17, 1982 Headquarters cable to an LA Division Station discussed the alleged meeting and stated:

> It is [Headquarters'] opinion that much of information . . . simply does not make sense (i.e., UDN/FDN cooperation, need to obtain armament through illegal means, shipment of arms to Nicaragua, involvement with the [U.S. religious organization]). We see a distinct possibility that the [the U.S. law enforcement entity] was either intentionally or unintentionally misinformed. However, since the information was surfaced by another [U.S. Government] agency and may return to haunt us, feel we must try to confirm or refute the information if possible. To best of [LA Division Station's] knowledge, have the [Contras] scheduled any meeting in the next few weeks? If so, what information do you have regarding the attendees? Do you have any other information which might relate to contents of [referenced messages].

In its November 18, 1982 response to Headquarters, the LA Division Station reported that it was aware that several Contra officials had recently gone to the United States for a series of meetings, including a meeting with Contra supporters in San Francisco, but the Station had no further information to offer.

215. Pena says the U.S. religious organization that had been named by the U.S. law enforcement entity was an FDN political ally that provided only humanitarian aid to Nicaraguan refugees and logistical support for Contra-related rallies, such as printing services and portable stages. He also says his Contra-related activities were all conducted in the United States and that he never traveled outside of the United States because of his immigration status as a political asylum applicant.

CONCLUSION

216. **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

217. No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any

commitment to support the Contra cause or Contra activities undertaken by CIA.

218. Blandon and Meneses claim that they each donated between $3,000 and $40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

219. Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

DID CIA INTERVENE OR OTHERWISE PLAY A ROLE IN ANY INVESTIGATIVE OR JUDICIAL PROCESSES INVOLVING THE DRUG TRAFFICKING ACTIVITIES OF ROSS, BLANDON OR MENESES?

220. **CIA Records:** No information has been found to indicate that CIA was involved in any way on Blandon's, Ross' or Meneses' behalf in any prosecution or investigation of their illegal activities.

221. **Individual Statements: Ross.** Ross says he suspects that CIA was involved with Blandon. This suspicion is based solely on Ross' assumption that Blandon should have received a longer prison sentence after being convicted of drug trafficking in 1994 and that some sort of U.S. Government intervention in the judicial process must have occurred to favor Blandon. Ross acknowledges he has no other documentary or personal information to support his suspicion of a CIA connection to Blandon.

222. **Individual Statements: Blandon.** Blandon states that no one from CIA or any other U.S. Government agency warned him of the October 1986 search of his residence by the Los Angeles County Sheriff's Department (LASD). Blandon says that he suspected there would be searches after FBI agents interviewed one of his employees and that this caused him to ensure that his house contained no drugs or other evidence of his unlawful activities.

223. Blandon also disputes the numerous press accounts alleging that his defense attorney made any statements to the LASD to the effect that the CIA would "wink at this kind of stuff." Blandon does not know the source of this story, but states that he had no contact with CIA and never told his lawyer there was such a connection. Thus, he doubts that his defense attorney made such a statement.

224. **Other Statements.** A member of the LASD who headed the task force that investigated Lister and Blandon states that he is aware of no statements by Blandon's defense attorney regarding CIA.

Further, the LASD officer says that neither he nor any member of his team received any pressure from CIA or other federal agency to "back off" from the investigation of Blandon and Lister. He adds that he has seen the press reporting concerning missing evidence allegedly taken by "unnamed federal agents who swooped down and took it away," but that he is aware of no evidence that ever disappeared or any federal agents who took any such evidence.

CONCLUSION

225. **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

FINDINGS: NORTHERN CALIFORNIA STORY

DID ANY OF THE INDIVIDUALS WHO WERE ARRESTED IN "THE FROGMAN CASE" HAVE ANY RELATIONSHIP WITH CIA? WERE THE DRUG TRAFFICKING ACTIVITIES OF ANY OF THOSE INDIVIDUALS LINKED TO THE CONTRAS?

226. On January 17, 1983, federal law enforcement officials in San Francisco made 12 arrests and seized 430 pounds of cocaine that was being brought ashore by swimmers from a Colombian freighter. Additional arrests were made later in January and in February 1983.

WERE THOSE ARRESTED CONNECTED WITH CIA?

227. More than 50 individuals were eventually arrested in what came to be known as "The Frogman Case." Many were Nicaraguans, and two of these--Julio Zavala and Carlos Cabezas--claimed later that their drug trafficking activities were linked to the Contras. None of those arrested--including Zavala and Cabezas--claimed at the time that they had any relationship with CIA.

228. **CIA Records**. No information has been found to indicate that CIA had any relationship with any of the individuals who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

229. Agency records did include several references to one of the individuals arrested in The Frogman Case, Julio Zavala:

- A 1980 cable from an LA Division Station to Headquarters discussed a Nicaraguan official who was thought to be a drug addict. According to the cable, a CIA asset had identified the Nicaraguan official's "supplier" as Zavala, who was identified as a Miami-based friend of the official;

- A March 1982 cable to CIA from a U.S. law enforcement entity asked that CIA periodically debrief this CIA asset on behalf of the law enforcement entity to gather information about Zavala's drug trafficking activities.

230. Agency records also include information concerning an individual with a name similar to that of one of those arrested or convicted as part of The Frogman Case. This individual was connected with CIA and a Contra organization in 1985, but cannot be the same individual since The Frogman Case defendant was serving a 10-year jail sentence in the United States at that time.

231. ***Individual Statements and CIA Records: Cabezas.*** Carlos Cabezas claims that, during one of several trips he made to Costa Rica to deliver Contra drug proceeds to Horacio Pereira and Troilo Sanchez, Pereira introduced Cabezas to a man who said he was "Ivan Gomez" of the CIA. Cabezas says this meeting took place in April or May 1982 at a hotel in San Jose, Costa Rica. Those present at this meeting with "Ivan Gomez" allegedly included Cabezas, Sanchez, Pereira, and Zavala. According to Cabezas, both Pereira and "Ivan Gomez" told him that "Ivan Gomez" was "the CIA's man in Costa Rica" and that "Gomez was there to ensure that the profits from the cocaine went to the Contras and not into someone's pocket." Cabezas says he did not see anyone give "Ivan Gomez" any money at this meeting, nor was cocaine or any other drug present.

232. Cabezas claims to have met "Ivan Gomez" on one other occasion about two or three months later--i.e., late summer 1982--when he met with "Ivan Gomez" and Pereira at the airport in San Jose, Costa Rica. Cabezas says he cannot recall if the purpose of this meeting was to pick up cocaine to take back to the United States or to drop off money. As Cabezas recalls, "Ivan Gomez" was present, but did not participate in the discussions. Cabezas says he never saw "Ivan Gomez" again, but describes him as a fluent Spanish speaker, about 6 feet tall, 180 pounds in weight, with curly black hair, and an athletic build.

233. CIA records indicate that a CIA independent contractor used "Ivan Gomez" as an alias in Costa Rica in the 1980s. However, the physical description of the CIA independent contractor is significantly different--although the CIA independent contractor has curly hair and speaks fluent Spanish, he is much shorter and of slighter build than the person described by Cabezas. Further, CIA records indicate that the CIA independent contractor who used the alias "Ivan Gomez" was in the United States and not in Costa Rica during April or May 1982 when the meeting that Cabezas describes allegedly occurred.

234. On August 8, 1984, a Nicaraguan newspaper published a photograph of an individual named "Ivan Gomez" with a caption stating that this individual worked for CIA. Thus, the information alleging that "Ivan Gomez" might be linked to CIA became a matter of public record and would have been available to Cabezas and his colleagues.

235. The CIA independent contractor who used the alias "Ivan Gomez" in the 1980s denies ever meeting Cabezas, Sanchez, Zavala, or Pereira or participating in a meeting with them in the San Jose hotel. Also, as mentioned earlier, his physical characteristics are significantly different from the person described by Cabezas.

236. Cabezas was shown 16 photographs of individuals. These included two photographs of the CIA independent contractor who used the alias "Ivan Gomez" that were taken in the early to mid-1980s, one of which was a photograph of the CIA independent contractor in an operational disguise. Cabezas identified two photographs of different individuals as the "Ivan Gomez" with whom he claimed to have met. Neither individual he selected was the CIA independent contractor who used the alias "Ivan Gomez," and both are photographs of individuals who have never had any relationship with CIA.

237. ***Individual Statements: Zavala.*** Zavala denies ever being introduced to an "Ivan Gomez" who claimed to represent CIA. Zavala recalls, however, meeting with Cabezas and others at the San

Jose hotel in question in late 1981 or early 1982 to discuss a drug deal. Zavala says he knew the individuals who participated in this meeting and none claimed any CIA affiliation.

238. Zavala says that one of the 16 photographs that had been shown to Cabezas looks vaguely familiar to him, but he is unable to recall why. The photograph Zavala thought looked familiar is not one of the two persons whose photographs were selected by Cabezas, nor did Zavala select either of the two photographs of the CIA independent contractor who used the alias of "Ivan Gomez."

239. ***Individual Statements: Others***. Zavala's wife Doris Salomon says she does not know the "Ivan Gomez" described by Cabezas. She claims not to recognize any of the persons pictured in the 16 photographs that were shown to Cabezas and Zavala.

240. Troilo Sanchez does not recall meeting anyone named "Ivan Gomez." He also denies ever meeting to discuss drug trafficking or the Contras with anyone who claimed to represent CIA. Nevertheless, Sanchez claims that Norwin Meneses introduced him to an individual in Costa Rica named "Roberto" in 1987--not in 1981 or 1982; "Roberto" reportedly claimed he worked for CIA.[*] Sanchez provided a photograph of the person he claims is "Roberto." The "Roberto" in the photograph bears no resemblance to photographs of the CIA independent contractor who used the alias "Ivan Gomez."[**]

WERE THOSE ARRESTED CONNECTED WITH THE CONTRAS?

241. As noted above, two of the individuals--Julio Zavala and Carlos Cabezas--arrested in connection with The Frogman Case claimed that their drug trafficking activity was tied to the Contras.

242. During a search of Zavala's residence by federal law enforcement authorities on February 15, 1983, a weapon, cocaine and

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[*] According to CIA Records, this statement is not true.

[**] CIA records indicate that "Roberto" was not associated with CIA in 1987 when Troilo Sanchez claims he met "Roberto."

thousands of dollars in cash were seized.* It was believed at the time by federal prosecutors that the money was related to Zavala's drug trafficking activities. In 1984, however, federal prosecutors decided to return $36,800 to Zavala after the Court received letters from two individuals who claimed to represent Contra organizations. In their letters, the officials claimed that the money that had been seized during the search of Zavala's residence belonged to their organizations.

243. **Media Allegations.** On March 16, 1986, the *San Francisco Examiner* published an article pertaining to The Frogman Case titled "Big Bay Area Cocaine Ring Tied to Contras." The article reported that Zavala, then serving a 10-year sentence in a federal penitentiary in Seagoville, Texas following his conviction on federal conspiracy and continuing criminal enterprise (CCE) charges, had been interviewed by telephone in connection with the article.

244. According to the article, Zavala claimed that he had delivered $500,000 to Francisco Aviles Saenz, whom the article identified as being associated with two Costa Rican-based Contra groups--the Conservative Party of Nicaraguans in Exile (PCNE) and the Nicaraguan Democratic Union/Nicaraguan Revolutionary Armed Forces (UDN/FARN). The article quoted Zavala as saying, "I was participating in a lot of the movement against the government of Nicaragua." Further, the *San Francisco Examiner* article claimed that Zavala had said, "I was helping out with money and equipment, and sometimes I was helping out by making connections with people who had weapons."

245. The 1986 *San Francisco Examiner* article also reported that Zavala had received two letters at the time of his trial in 1984. One had been signed by Aviles, the "political secretary" of PCNE, and by Vicente Rappaccioli, the PCNE's "treasurer." Reportedly, this letter identified Zavala as an assistant treasurer of the PCNE in the United States. According to the *San Francisco Examiner* article, Aviles stated in the other letter--that he signed as the UDN/FARN's "International

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* Zavala claims the amount was $65,000. Media reports place the amount at $36,020.

Secretary"--that Zavala had made several trips to Costa Rica on behalf of UDN/FARN and had received $45,000, described as having been "collected amongst our collaborators" for "purchases characteristic of this organization." These letters also indicated that the money seized from Zavala's home at the time of his February 1983 arrest had been for "the reinstatement of democracy in Nicaragua."

246. In conjunction with the letters, Zavala's court-appointed attorney alleged that CIA was involved in Contra drug trafficking activities. The attorney filed an affidavit identifying Zavala as a member and treasurer of the "conservative party" (not further defined) and claiming that the seized money belonged to that party. Zavala was reported by the article to have said that Aviles personally gave him $45,000.

247. According to the *San Francisco Examiner* article,

> Aviles admitted in a telephone interview from Costa Rica that he had written the letter for Zavala, but said he only met Zavala once, when he gave him "about $35,000" to buy shirts, pants and boots for PCNE soldiers. He did not explain why the letter said he gave $45,000 to Zavala.

248. The article also named Doris Salomon--Zavala's wife and reportedly a Contra fund raiser--as the person who had arranged for the two letters to be provided to Zavala in 1984. Further, the *San Francisco Examiner* article stated that Horacio Pereira, a businessman in Costa Rica who was alleged to have supplied cocaine to Zavala, had told Carlos Cabezas that profits from the sale of cocaine by Zavala and Cabezas went to the Contras.

249. **CIA Records.** As a result of this article, CIA officials conducted a review of Agency records in 1986 to determine whether there was any truth to these assertions. An April 10, 1986 DO/Latin America Division (DO/LA Division) memorandum indicated that searches of Agency records had revealed no information regarding Julio Zavala's wife, Doris Salomon. However, CIA records did contain information describing Horacio Pereira--one of the

individuals who had been implicated in The Frogman Case as a cocaine supplier to Zavala--as an associate of Sebastian Pinel, described as a Nicaraguan exile and suspected drug dealer who was then living in Buena Vista, California.

250. CIA Headquarters also asked two DO LA Division Stations and an FR Division Station on April 9, 1986 for any information in their files that might be pertinent to the newspaper allegations. The FR Division Station was also instructed by Headquarters to contact the FBI for "any concrete information from Cabezas/Zavala case which linked them with anti-Sandinista forces," including to whom they were linked and at what point and how Contra leaders might have become involved.

251. Two cables from the FR Division Station reported on April 10, 1986 what had been learned from the FBI. These cables noted that:

- The FBI had treated The Frogman Case as purely a criminal matter, with the FBI impression being that Zavala and Cabezas were "professional drug dealers and nothing more";
- The FBI was not aware of any link between Zavala or Cabezas and the Contras;
- The FBI reported that $36,800 that had been seized during the search of Zavala's residence had been returned to Zavala on September 7, 1984 via a cashier's check; and,
- The FBI had offered to broker a meeting between United States Attorney Joseph Russoniello and CIA to discuss The Frogman Case. However, CIA decided against such a meeting because of the politicized atmosphere in which Russoniello worked and the assumed undesirability of having it become public that CIA was making such inquiries.

252. An LA Division Station also responded in a cable to Headquarters on April 10, 1986. This cable reported that the *San Francisco Examiner* assertion that Chamorro was linked to California drug traffickers was "completely false." The report said that one of the individuals named in the newspaper article, Francisco Aviles, had not joined Chamorro's organization until February 1984, and that Chamorro had confronted Aviles with the March 1986 newspaper allegations linking him with drug trafficking on behalf of the Contras in 1983. When Aviles was unable to provide a credible explanation, according to the report, Chamorro dismissed him from the organization.

253. An April 11, 1986 cable from the same LA Division Station to Headquarters reported additional information. The report said Aviles had not occupied the position of UDN/FARN Secretary of International Relations that the March 1986 newspaper article assigned to him.* According to this report, Aviles had provided letters on behalf of the Contras requesting that cash seized from Zavala's residence be returned. When Aviles was unable to explain to Chamorro why he took this action, Aviles was summarily expelled from UNO/FARN in March 1986. The Station report indicated that this source said that Aviles acted independently and may have taken advantage of an opportunity to make some money.

254. Another LA Division Station responded to Headquarters in an April 11, 1986 cable that reported the results of a meeting with UNO/FARN leader Fernando Chamorro. The cable stated that:

- Chamorro and his staff had never met Carlos Cabezas, Julio Zavala, Horacio Pereira, or Doris Salomon;

- UNO/FARN had never accepted large donations of money from any organizations that did not explain the source of the contributions;

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* UDN/FARN later became UNO/FARN.

- Francisco Aviles was not involved in Southern Front activities in 1983 when The Frogman Case arrests were made; and Chamorro and many of his followers were located in Honduras--not in Costa Rica--at the time; and

- Aviles had been informed verbally that he had been expelled from UNO/FARN. A written order to that effect was to follow shortly.

The LA Division Station cable also reported that Chamorro had claimed that Vicente Rappaccioli, who was also identified in the March 1986 newspaper article as having Contra connections, was not involved with Nicaraguan resistance activities.

255. On April 11, 1986, Headquarters advised several LA Division Stations to take no further action. Headquarters reported it had determined that Aviles and Rappaccioli had acted purely on their own authority when they provided letters on behalf of Zavala and had not done so at the behest of Chamorro's Contra group.

256. CIA files indicate that the April 11, 1986 Headquarters instruction that the LA Division Stations take no further action was based on information provided by one of the LA Division Stations that reportedly Aviles had changed his story. Contrary to what he reportedly told the *San Francisco Examiner*, he now claimed that he had never provided Zavala with any money.

257. According to this report, Chamorro had said that Aviles had originally said Zavala had been given $50,000 of UDN/FARN's money. Now, however, Aviles was stating that Doris Salomon--whom the report mistakenly said had been indicted in connection with The Frogman Case--had approached Aviles and asked him to write a letter on behalf of Zavala saying the money belonged to UDN/FARN. Although Aviles indicated UDN/FARN would get a donation as a result of his providing Salomon with the letter, the report indicated that Aviles may have received a bribe instead.

258. ***Individual Statements: Zavala.*** Zavala contends that he never donated any money--including drug trafficking proceeds--to the Contras. Zavala asserts that the Contras never asked him to sell drugs and that he has no knowledge that Contra-affiliated persons engaged in drug trafficking. Further, he says that he had only one direct contact with any Contra-affiliated organization or individual, this being a meeting with then-Contra Francisco Aviles Saenz in early 1983.

259. Zavala says that he was traveling to Costa Rica on a biweekly or monthly basis in the early 1980s on business unrelated to the Contras. On one of those occasions, his wife, Doris Salomon, introduced him to Aviles at Aviles' home in San Jose. It was at this meeting that the issue of support to the Contras came up, and it was agreed that Zavala would use $45,000 given to him by Aviles to make purchases in the United States of weapons and communications equipment for the Contras. Zavala claims that, once the purchases were made, Aviles was to make the appropriate arrangements to ship the weapons and equipment to Central America. Aviles, according to Zavala, never disclosed to Zavala where the money had come from.

260. Zavala says he subsequently contacted a person from El Paso, Texas regarding the possible purchase of arms and equipment. Zavala claims no recollection of the types or quantities of equipment he was to purchase, nor the name of the El Paso contact. However, he recalls researching cost and availability and concluding that the $45,000 would not buy much of what was needed. Subsequently, the El Paso contact agreed to come to San Francisco to meet with Zavala.

261. On the night before the El Paso contact's visit, Zavala claims he placed $65,000 in cash in a night stand located in his bedroom. The cash consisted of the $45,000 that he had been provided by Aviles, plus $20,000 of Zavala's personal funds. Zavala says he remembers the dollar amount exactly because he intended to use the money to show the El Paso contact that he had sufficient money for the purchase. Zavala claims that he only planned to discuss his options with the contact, but not to make any purchases at that time. No meeting took place between the El Paso contact and

Zavala because, on the day the contact was to fly to San Francisco for the meeting, Zavala was arrested and the money was seized by federal law enforcement authorities.*

262. According to Zavala, Aviles provided Zavala's attorney with the letters that are referred to in the 1986 *San Francisco Examiner* article. Zavala claims he never met Rappaccioli and does not know what role, if any, Rappaccioli played in the Contra movement. Zavala speculates that Aviles arranged for a letter to be signed by Rappaccioli to add strength to the claim that the seized money belonged to the Contras.

263. Zavala says he was never affiliated with the PCNE or UDN/FARN and is unable to identify these organizations. In fact, he claims not to have followed Nicaraguan internal matters closely at all, having immigrated to the United States in 1961. While Zavala concedes that he may have told the *San Francisco Examiner*, and later the FBI, that he had contributed money to the Contras, he also claims that he was "misquoted" in the 1986 *San Francisco Examiner* article which reported that he had said he donated $500,000 to the Contras.

264. Zavala provided a handwritten, sworn statement asserting in part:

> . . . .
>
> I don't have any knowledge of CIA involvement in drug trafficking activities;
>
> I do not have any knowledge of Contras official [*sic*] or personal [*sic*] involvement in drug trafficking activities;
>
> Relating to personal or drug related [illegible], I never donated any money to the Contra cause;

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* Zavala claims law enforcement authorities "pocketed" portions of the $65,000 that they seized from Zavala at the time of his arrest.

> I was given $45,000 from Mr. Aviles to purchase communication gear for El Partido Liberal Catolico. The transportation of this equipment was their response [illegible].
>
> . . . .

265. ***Individual Statements: Cabezas.*** Cabezas, currently an attorney in Nicaragua, was arrested in San Francisco in 1983, convicted and sentenced in 1984 in connection with The Frogman Case. According to the March 1986 *San Francisco Examiner* article, Cabezas claimed he had worked with two Southern Front Contra groups, UDN/FARN and Democratic Revolutionary Alliance (ARDE). Further, the article stated that he had claimed the proceeds from his cocaine sales "belonged to . . . the Contra revolution."

266. Cabezas says he began working with Zavala in October 1981 and that his job was to distribute cocaine to Zavala's street dealers and to collect the profits for their own personal gain. Zavala, according to Cabezas, had a narcotics distribution network from which Zavala alone profited. However, Zavala also was part, says Cabezas, of a second, parallel network that brought cocaine into the United States for the purpose of raising funds for the Contras. Cabezas claims that the money seized from Zavala's residence at the time of Zavala's 1983 arrest was drug money that had been collected from a dealer and not money provided to Zavala by the Contras for the purchase of supplies.

267. Cabezas says that he began importing cocaine sometime after October 1981 when he smuggled one or two kilograms of powdered cocaine into the United States. The cocaine, according to Cabezas, was concealed in woven hand-baskets that had been filled with cocaine in Costa Rica by a friend of Nicaraguan drug dealers Troilo Sanchez and Horacio Pereira. Cabezas states that he stayed with Pereira in Honduras for two or three days and Pereira gave him a small woven straw basket just before Cabezas left for the United States. According to Cabezas, Pereira instructed him to buy a bottle of whisky to place in the basket and, upon arrival in San Francisco, to give the basket to Zavala personally. Cabezas says that he delivered

the basket and watched Zavala take a "razor" knife and slit the basket open. It was only then that Cabezas says he realized he had carried what he estimates to have been one to two kilograms of high-quality powdered cocaine.

268. Cabezas also claims that he attended a December 1981 meeting involving Troilo Sanchez, Horacio Pereira, Zavala, and Zavala's wife Doris Salomon at a hotel in San Jose, Costa Rica. He believes this meeting was the genesis of an effort to raise money for the Contras by selling drugs. Although the original reason for the meeting was purely social, Cabezas says Sanchez and Pereira raised the idea of selling cocaine as a means to raise funds for the Contras. Cabezas says Pereira and Sanchez discussed the idea with him because both knew of Cabezas' role in the Zavala organization. Although it was Sanchez' and Pereira's idea to raise funds for the Contras by engaging in drug trafficking, Cabezas says it was Zavala who came up with the idea that Cabezas serve as a go-between by collecting the money from street dealers and delivering it to Central America.

269. Cabezas states that he undertook a trip for this Contra fund raising enterprise sometime in early 1982. Cabezas recalls traveling to San Pedro Sula, Honduras at that time and spending two or three days with Pereira. Pereira reportedly told Cabezas that they were there to meet a Peruvian who would be bringing drugs for shipment to the United States. Cabezas says that he received the cocaine and brought it to the United States where it sold quickly. He says he returned to Honduras a short time later and delivered approximately $100,000 from the sale of the cocaine to Pereira. Cabezas recalls that, after this first delivery, "Contra mules"--typically airline flight attendants--would bring the cocaine to the United States one kilogram at a time in woven baskets. Cabezas says he would disassemble the baskets and extract the cocaine, which was then given to Zavala's street dealer network for sale. In all, Cabezas claims, he made more than 20 trips to Honduras and Costa Rica during 1982, delivering more than $1 million to Sanchez and Pereira.

270. Cabezas says that two of Troilo Sanchez' brothers--Aristides and Fernando--were Contra leaders. Cabezas alleges that he delivered an unspecified amount of money for the Contras from drug trafficking to Aristides Sanchez in Miami on at least one occasion, possibly in 1982 or early 1983. Cabezas says that he never specifically told Aristides Sanchez that the money came from drug proceeds, but only said that it was from Troilo. Cabezas says he assumes Aristides Sanchez must have known what Troilo was involved in.

271. A few months later, Cabezas recalls, he was told by Pereira and Troilo Sanchez that Zavala could no longer be trusted with the "Contra side" of the operation because Zavala was skimming money to pay his personal cocaine distribution debts to the Colombian cartels. Cabezas states that the two operations had operated in parallel up to that point and that proceeds from cocaine sales were separated into two accounts--Contra and Colombian. Once Zavala came under suspicion, however, Pereira instructed Cabezas to collect the "Contra profits" and to deliver the money directly to Pereira and Troilo Sanchez.

272. Cabezas says he personally witnessed Pereira deliver money to a Contra combatant named Juaquin Vega in Danli, on the Nicaraguan/Honduran border, where Cabezas says the money was used "to feed the troops and help the families of Contra soldiers." On average, Cabezas says, he carried $64,000 on each of his 20 trips to Central America, although he also claims that he and another person once delivered about $250,000 to Pereira and Sanchez. Cabezas says he was paid approximately $2,000-$2,500 monthly by Pereira and another $500 by Zavala for what he says were "non-Contra" drug trafficking activities. Cabezas claims that he kept meticulous financial records of his trips in a ledger and that this ledger was seized by the FBI at the time of his arrest in 1983 as part of The Frogman Case.

273. ***Individual Statements: Others***. Zavala characterizes Cabezas--who testified against him in the prosecution of The Frogman Case--as "very sneaky." Rather, Zavala says he believes

Cabezas' drug-related activities were for his personal enrichment, although Zavala concedes that he was "cut" off from Cabezas' dealings with Pereira and Troilo Sanchez. Zavala is clear that, prior to the break with Cabezas, he saw nothing and was told nothing that would suggest to him that Cabezas was selling drugs for the Contras.

274. Cabezas says that he told an FBI Special Agent following the 1983 arrest, about his activities in raising funds for the Contras through the sale of cocaine. The FBI Special Agent, however, says he has no recollection of Cabezas telling him about his Contra fund raising activities.

275. Troilo Sanchez disputes most portions of Cabezas' story. Sanchez claims that he was not personally involved with the Contras, although his brothers--Enrique, Aristides, Fernando, and Victor--were. According to Sanchez, Cabezas and Pereira were drug trafficking partners, but he does not know if Zavala sold drugs as well. Sanchez recalls that he, Cabezas, Pereira and Zavala frequently got together in San Jose to go dancing, but he does not remember attending any meetings at a San Jose hotel to discuss selling cocaine to raise funds for the Contras. Sanchez denies knowing of anyone trafficking in drugs to earn profits for the Contras, although he concedes that persons such as Cabezas may have used the Contras as a facade or excuse for their unlawful activities.

276. ***Individual Statements: Salomon.*** Doris Salomon, who is Zavala's wife, has been incarcerated in a California prison since her 1994 conviction on drug charges unrelated to The Frogman Case.* Salomon claims she never donated any money to the Contras, but she says that she performed humanitarian work for the Contras while living in Costa Rica. Such work included asking hospitals to donate stocks of medicine that were nearing expiration dates and would otherwise be disposed of. Salomon also claims to have provided

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* Salomon says she fled the United States in 1981 following her conviction on drug charges unrelated to The Frogman Case and was living in Costa Rica as a fugitive when Zavala was arrested in February 1983. In October 1984, Salomon was detained by Costa Rican authorities at the request of the U.S. Government and was extradited to the United States in 1985. Following her conviction on the 1981 drug charges, she served a 27-month prison sentence.

humanitarian support to the Sandinistas in 1979 while living in Baja, California.

277. Regarding her husband, Zavala, Salomon says that she is not aware that he ever donated money to the Contras. Moreover, Salomon claims Zavala "never told me that he donated money to the Contras." Salomon does not believe the quote attributed to Zavala by the *San Francisco Examiner* that he had donated $500,000 to the Contras.

278. Salomon provided a sworn statement affirming:

> That I never had any relationships with the CIA and the Contras, or any selling of drugs for the Contras. I have no personal knowledge of the CIA dealing with drugs for the Contras. I have no personal knowledge of my husband selling drugs for the Contras. I did voluntary work on behalf of the Contras in humanitary [*sic*] way in San Jose Costa Rica that had nothing to do with drugs.

Salomon says she recalls seeing Cabezas and Troilo Sanchez at a San Jose, Costa Rica hotel in 1981. However, she denies having any personal knowledge that either of them provided Zavala with cocaine. Salomon also denies ever discussing drug trafficking with Cabezas or Sanchez.

279. Salomon says that Zavala never told her he had received money from Aviles and she says that she has no knowledge that Zavala ever transported anything to Costa Rica for the Contras. Salomon says she recalls Cabezas boasting--probably in 1981--that he "knew people in the Contras." Thus, she believes it is possible that Cabezas could have had a relationship with the Contras. However, Salomon comments that "Cabezas is a liar to me."

280. As to how Zavala obtained the two letters that linked the cash seized from his home at the time of his arrest to the Contra cause, Salomon recalls that her husband contacted her by telephone or letter from the jail in San Francisco sometime after his arrest. According to Salomon, Zavala asked her to contact a person named

"Francisco" in San Jose, Costa Rica and advise him of what happened. She says this was Aviles. Salomon does not recall if Zavala told her whether the cash belonged to Aviles personally or to an organization Aviles represented. Salomon claims to have no recollection of what Aviles' reaction was or what he may have said when Salomon informed him that the money had been seized.

281. According to Salomon, Zavala only asked her to inform Aviles about the seizure of the money. She has no recollection of Zavala instructing her to have Aviles write any letters on Zavala's behalf. She assumes that Aviles took it upon himself to write the letters, or wrote the letters based upon a pre-existing arrangement with Zavala. In any event, Salomon says she is aware that Aviles prepared one or more letters for her husband and that the letters were sent to the Federal District Court in San Francisco. She says Aviles may have even shown her a copy of at least one of the letters at some point. Salomon contends she did not pay Aviles for the letters.

282. Salomon says she has never met Vicente Rappaccioli and does not know why Rappaccioli signed his name to one of the two letters on behalf of Zavala. She speculates that Rappaccioli probably did so at Aviles' request.*

283. ***Individual Statements: Aviles.*** Francisco Aviles, a resident of Léon, Nicaragua, denies the March 1986 *San Francisco Examiner* report that he gave Zavala $45,000 to purchase weapons and equipment for the Contras. "I never gave Zavala one cent. We did not have any money to give," Aviles claims. Aviles does, however, admit that he told the *San Francisco Examiner* he gave Zavala $35,000. He says he did this with the intent to try to create some sense of indebtedness by Zavala toward Aviles' Contra political organization.

284. Aviles explains that, while he was living in Costa Rica in late 1981 or early 1982 and associated with the PCNE, he received a

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* Vicente Rappaccioli has since died.

telephone call from Zavala or someone associated with Zavala with an offer of financial help for the Contras. Aviles says he and Rappaccioli attempted to check Zavala out and did not learn anything derogatory. Accordingly, Aviles says he met with Zavala and Rappaccioli in Costa Rica. Aviles says that Zavala claimed he could get contributions for the Contras from Nicaraguans living in the United States. Aviles claims that this meeting was the only time he ever met Zavala personally. Aviles says he provided a letter--signed by Aviles and Rappaccioli--that "authorized Zavala to fund-raise for the Contras."

285. Aviles says he received a call from Doris Salomon about 18 months after his meeting with Zavala and Rappaccioli. Salomon informed Aviles that Zavala had been arrested and was in a U.S. prison because of a "problem with his passport." Salomon, according to Aviles, made no mention that the arrest was on drug-related charges. Aviles recalls being told by Salomon that Zavala needed a letter to establish that the money seized at his home had represented "funds raised for the Contra Movement." Aviles recalls that he prepared such a letter, addressed it either to "the judge" or "to whom it may concern," and sent the letter to either the U.S. Embassy, San Jose or a person at the U.S. Embassy whose name he cannot recall.

286. Aviles says that he only learned later through press reports that the money in question represented drug profits, and not funds donated by other Nicaraguans for the Contra cause. Aviles contends, "We would never have [written the letter requested by Salomon] had we known the money was from drugs."

287. Aviles acknowledges providing at least one additional letter to Zavala. Sometime in 1985, Aviles says he received a telephone call from Zavala, who Aviles only subsequently learned was calling from a U.S. prison. Aviles claims that Zavala continued to claim that his legal problems related to his passport and asked Aviles for a "reference letter" to be used with the Federal District Court to show that Zavala was a member of the Contras. Aviles says he wrote a short letter to this effect that he then sent to Salomon.

288. Sometime later, though possibly still in 1985, Aviles says he received a check from either the FBI or the Court for about $30,000.[*] Aviles recalls being concerned at the time that the money might have been derived from Zavala's drug trafficking. He says that by then he believed he was dealing with the "Mafia" or drug cartels and began to be concerned about his safety. He recalls returning the check uncashed to either Doris Salomon or her mother, along with a power of attorney so that they could cash it, as a way of protecting himself.

289. Aviles claims he returned the check "because it was blood money, and we wanted nothing to do with it." Aviles denies that either he or Rappaccioli received any compensation from Zavala for writing the letter that authorized him to raise funds for the Contras. Aviles also denies that he received compensation for the "reference letter" that he sent to Salomon in response to Zavala's telephone call from a U.S. prison, or for returning the check-- uncashed and with a power of attorney--to Doris Salomon or her mother.

290. ***Individual Statements: Others.*** Joseph Russoniello was the United States Attorney for the Northern District of California when The Frogman Case was prosecuted. He recalls no link among Zavala, Cabezas, the seized funds, and the Contras other than the subsequent statements of Zavala and Cabezas. He is also not aware of any information indicating any link between the defendants and CIA.

291. Mark Zanides was the Assistant United States Attorney (AUSA) who prosecuted Zavala in The Frogman Case. He recalls that law enforcement wiretaps that were in place during the months preceding the arrests revealed that Zavala spent most of his time "drunk" and trying to figure out how to pay his drug suppliers. Based on his knowledge of Zavala's activities, Zanides calls it "inconceivable" that Zavala could have donated $500,000 to the

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[*] Although Aviles says it is his recollection that he received the check in 1985, San Francisco U.S. Attorney's Office records indicate the check was probably sent to Aviles in the latter part of 1984.

Contras as was reported by the *San Francisco Examiner* in 1986. Additionally, Zanides says he was "surprised" to learn that Zavala even had $36,000 in his home at the time of the raid. Nevertheless, Zanides says, "I don't think [Zavala] made much money selling dope, [but] moved a fair amount of it." Zanides does not recall any information from the wiretaps that indicated any connection between Zavala's drug trafficking activity and the Contras.

292. Judd Iversen, the attorney who defended Zavala in The Frogman Case, recalls that Zavala told him at the time that Doris Salomon was a Contra fund raiser. It was through this connection, Iversen believes, that Zavala became involved in Contra activities. Zavala did not impress Iversen as a person who was interested in politics, and Iversen states that Zavala "just went along with the [Contra] fund raising because he liked Doris." Iversen expresses extreme skepticism regarding Zavala's reported statement to the *San Francisco Examiner* that he sent $500,000 to the Contras.

293. The FBI Special Agent who was the lead FBI agent in the investigation relating to The Frogman Case says he has no recollection of any information indicating that Zavala was involved with the Contras. He also states he "never felt, from what [he] could see, that the Contras were involved." Moreover, he says he does not remember any information indicating that Zavala was operating two trafficking organizations, one of which was for the benefit of the Contras.

294. The FBI Special Agent also does not recall any information indicating that Cabezas had any relation to the Contras or that his trafficking in drugs was a means of funding the Contras. He says, "I don't remember Cabezas saying he was selling drugs for the Contras. I wouldn't have believed him." If there was such a connection with the Contras, "that would have been a great defense for them."

295. The FBI Special Agent says he has no recollection that any information relating to the Contras was discovered during the course of the investigation, although he adds that the investigation necessarily would not have confirmed to whom Zavala might have

sent money derived from his drug trafficking. This FBI Special Agent also says he has no recollection that any information linking the cocaine to the Contras was derived from the U.S. Government wiretaps of Zavala and Cabezas. However, he recalls roughly 10,000 conversations were recorded, and he cannot recall any references on the wiretaps to the Contras. Had there been such a reference, the FBI Special Agent says he believes he would have made note of it. The FBI Special Agent also comments that it is possible that the linguists responsible for translating the recorded conversations may not have considered a comment relating to the Contras to warrant its inclusion into the written summary of the conversation.

296. Another FBI Special Agent who dealt with Cabezas following his conviction in 1984 and his later release from prison in 1992 says that, although Cabezas did tell him in 1987 that he sold cocaine for the Contras, Cabezas provided few details regarding that claim or how much of the proceeds might have been provided to the Contras.

297. With respect to Zavala, this FBI Special Agent states that "Zavala was only in it for the money." Additionally, the FBI Special Agent recalls talking to Zavala and that Zavala "never talked about the Contras."

298. A third FBI Special Agent arrested Zavala during the raid on Zavala's home. He recalls that when $30,000 to $40,000 was discovered in the night stand at Zavala's home, Zavala made no statement or claims as to the ownership of the money. This FBI Special Agent says he has no recollection of Zavala, Cabezas, or any of the other defendants in the case claiming that their drug trafficking activities were for the benefit of the Contras.

299. The FBI Special Agent who arrested Zavala also recalls no information relating to the Contras being derived from any of the wiretaps. As best he recalls, none of the logs that described each taped telephone call, and none of the transcripts or translations of those telephone calls, mentioned the Contras.

300. Norwin Meneses says he was never part of the Zavala organization although he acknowledges that he knew Zavala and Cabezas. Although individuals implicated in The Frogman Case also admit that they knew Norwin Meneses, no information has been found to indicate that they worked together to traffic in drugs on behalf of the Contras. Zavala says he met Meneses only one or two times. These meetings, says Zavala, did not involve the sale of drugs. According to Zavala, an associate of his may have purchased drugs from Meneses when the associate and Meneses were living in Managua.

301. Salomon says she met Norwin Meneses and his nephews "many years ago." Salomon states that she did not know Meneses well because their political views differed. Salomon says it is her understanding that Meneses was a drug trafficker even before the Sandinista Revolution.

302. Cabezas claims he knows Norwin Meneses and that Meneses was a drug dealer. According to Cabezas, Meneses had no connection to the Zavala organization. Cabezas says he does not believe that Meneses was affiliated with any Contra organization or that Meneses made any donations to the Contras.

303. Troilo Sanchez says he believes Meneses was a drug trafficker for the Contras, but can provide no information to support this belief. He says Meneses used other people and organizations as cover but was only interested in benefiting himself. Sanchez claims he met Meneses through Horacio Pereira. Pereira and Meneses, according to Cabezas, worked together as drug traffickers even as far back as the Somoza regime in the 1970s.

304. **CIA Records.** According to CIA records, Aristides and Fernando Sanchez were active in the Contra movement. No indication has been found that Aristides or Fernando had contact with Cabezas.

CONCLUSION

305. **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras?** No information has been found to indicate that CIA or individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas, or others who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

306. No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized money from Zavala belonged to the Contras, it appears this was done through Zavala's wife's connections to old family friends and not because Zavala was active in the Contra movement.

WAS CIA INVOLVED IN THE INVESTIGATION OF THE FROGMAN CASE?

307. As mentioned earlier, a relative of one of those arrested or charged in the 1983 Frogman Case did have a relationship with CIA until mid-1982. That relationship began in the late 1970s based upon the individual's access to information concerning Nicaraguan Sandinista activities. By 1982, the Agency had decided that the asset was not "worth the considerable expenditure of resources involved," and terminated the relationship. No information has been found to indicate the former asset engaged in any activities that were contrary to U.S. law or that interfered with the investigation of The Frogman Case or The Frogman Case arrests that occurred in January and February 1983.

CONCLUSION

308. **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those arrested or charged did have a relationship with CIA until mid-1982.

TO WHAT EXTENT, AND WHY, DID CIA BECOME INVOLVED IN THE PROSECUTION OF THE FROGMAN CASE? WHAT WAS THE EFFECT OF CIA INVOLVEMENT IN THE PROSECUTION?

309. **CIA Records.** CIA records indicate that the Agency first learned of The Frogman Case on July 30, 1984 when a cable from an LA Division Station informed Headquarters that the local representative of a U.S. law enforcement entity had brought a DoS telegram to its attention. The DoS telegram indicated that an AUSA for the Northern District of California and an FBI Special Agent were requesting permission to travel to San Jose to question two "anti-Sandinistas" in connection with the prosecution of a cocaine trafficking case identified as *U.S. v Zavala*.

310. Although the AUSA and the FBI Special Agent were not identified by name in the LA Division cable, the DoS telegram did identify them. Further the DoS telegram stated that AUSA Zanides and the FBI Special Agent would be attending "court-ordered depositions on Francisco Aviles Saenz and Vincente [*sic*] Rappaccioli Marquis."*

311. Vicente Rappaccioli Marquis, who was proposed to be deposed, is identified in CIA records as having been a member of the board of directors of the PCNE. No information has been found to indicate that CIA ever had any relationship with this individual. However, CIA personnel in the LA Division Station apparently misidentified him as a former Agency asset.

312. In its July 30, 1984 cable informing Headquarters of the planned depositions in San Jose, the LA Division Station identified Francisco Aviles Saenz by name. However, the LA Division Station cable did not provide Headquarters with the name of the second individual. Instead, the Station cable referred to this second individual by a CIA cryptonym that had been assigned in

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* Although the DoS telegram spelled the name *Vincente*, CIA records indicate the individual's name is actually *Vicente*.

1980 to the misidentified former asset. According to the Station cable, the misidentified former asset had also been associated with the Contra movement.

313. The Station also reported that both Francisco Aviles and the misidentified former asset had been members of a Nicaraguan exile group. Although that group is not further discussed in the Station cable, Agency records indicate that the group unwittingly received CIA support.

314. The July 30, 1984 cable from the LA Division Station also asked Headquarters and several other field stations for any additional information that might be available in their files concerning Aviles and the misidentified former asset. The cable also asked for information regarding who Zavala was, the charges against him and whether there was any connection between Zavala, Aviles and the misidentified former asset. In closing, the LA Division Station noted that it was "concerned that this kind of uncoordinated activity [i.e., the AUSA and FBI visit and depositions] could have serious implications for anti-Sandinista activities in Costa Rica and elsewhere."

315. Agency records indicate that Vicente Rappaccioli Marquis--who was to be deposed and with whom the Agency had no relationship--was born on July 15, 1928. The misidentified former Agency asset differed in age from Rappaccioli by more than 10 years. By mid-1981, regular CIA contact with the misidentified former asset had ceased, and all contact appears to have ended sometime in 1982.

316. A Headquarters desk officer assigned to the DO/Central America Task Force (CATF) preliminarily responded to the LA Division Station in an August 1, 1984 cable. The CATF cable cited a 1983 media report that identified Zavala as a 39-year-old illegal alien from South San Francisco named Julio C. Zavala Moreno. The cable also reported that CIA had no information in its records concerning Zavala.

317. With respect to Aviles, the August 1, 1984 CATF cable stated that CIA records indicated that Aviles, a member of the Nicaraguan Democratic Conservative Party (PCN), had attended an August 1982 conference in Miami in which senior members of the PCN had created a faction of the party in exile--the PCNE. At that conference, according to CIA records, Aviles had been elected to be the secretary of the PCNE's board of directors. The August 1, 1984 cable also stated that the Agency had no information to indicate any connection between Aviles, Zavala and the misidentified former asset. Finally, the cable stated that the Agency was contacting the FBI for information regarding Zavala.

318. CIA records also show that the CATF desk officer sent a brief note and a copy of the July 30, 1983 LA Division Station cable to the Freedom, Privacy and Litigation Group (FPLG) of the DO's Information Management Staff (IMS). At that time, FPLG was the DO's focal point for matters relating to litigation that involved DO information.

319. An August 2, 1984 memorandum from FPLG to the CATF desk officer in CIA records indicated that the Agency's Office of General Counsel (OGC) had been made aware of the case, probably by FPLG, by that date. The memorandum stated that the proposed depositions of Aviles and the misidentified former asset would relate to whether approximately $30,000 that was seized from Zavala at the time of his arrest was acquired through business transactions, rather than cocaine trafficking. Further, the memorandum indicated that FPLG and OGC representatives were planning to meet with "the AUSA" on August 7, 1984, following which "the AUSA" would go to Costa Rica to take the depositions later in August. The FPLG memorandum did not specify the identities of the Agency's representatives or the location of the planned meeting with the AUSA.

320. The August 2, 1984 FPLG memorandum also asked that the CATF desk officer provide a "summary" of the activities of Aviles and the misidentified former asset in preparation for the FPLG and OGC meeting with the AUSA. Finally, the FPLG memorandum

indicated that, once "the AUSA" provided further details, the Agency could "determine whether our equities will be affected." No information has been found to indicate any CATF response to this memorandum's commentary or request for a summary of the activities of Aviles and the misidentified former asset.

321. On August 3, 1984, Headquarters advised the LA Division Station of what had been learned about the Zavala case. The cable, originated by FPLG, indicated that the depositions that were scheduled for August 16, 1984 in Costa Rica were in response to a motion by Zavala's attorney and are "subject to court order that [the U.S.] Government not interfere or discourage compliance." The genesis for this statement may have been a recently unsealed transcript of a June 12, 1984 *in camera* proceeding relating to a motion by Zavala's attorney under Rule 15 of the Federal Criminal Code and Rules which pertains to depositions. The transcript of that proceeding indicated that the late Robert Peckham, the presiding U.S. District Court Judge, stated at that time, in part:

> Now, there is a serious problem, though, that perhaps we should mention now, and perhaps even address first, and that is, that in the papers Mr. Zavala, through his counsel, indicates that the deponent's identify [*sic*] must remain secret to prevent the CIA from coercing the witnesses and to altering their proffered testimony.

322. The August 3, 1984 Headquarters cable to the LA Division Station also indicated that testimony in the Zavala case would concern the "source of money confiscated in cocaine raid in San Francisco." The Station was advised that--to avoid giving Zavala's defense attorneys a "possible issue"--the Station should make no effort to contact the two individuals who were to be deposed. Further, Headquarters advised the LA Division Station that there was no reason to believe that Zavala's attorneys were aware that the misidentified former asset had any association with CIA. The Headquarters cable also stated, without further explanation, that the depositions "may be avoided if planned legal action is successful." Finally, the Station was informed that FPLG and OGC representatives

"will meet 7 August with Assistant U.S. Attorney to draft [a] course of action."

323. On August 3, another LA Division Station responded to the request for information about Aviles and informed Headquarters that Aviles was not well regarded. The Station further reported that Aviles had been asked to leave a Contra support group in Costa Rica around August 1983 when questions were raised regarding his handling of the group's funds.

324. The exact date of the FPLG and OGC meeting with the AUSA has not been determined although, as indicated earlier, the meeting was scheduled for August 7, 1984. On August 16, 1984, the U.S. Embassy in San Jose informed the LA Division Station that the planned visit of AUSA Zanides and an FBI Special Agent had been canceled. The Station informed Headquarters of this development on August 17, 1984 and indicated that an Embassy official had said that the visit of the "U.S. Attorney" had been canceled by the "Funny Farm," a term that the LA Division Station took to mean CIA. The LA Division Station went on to say that it had told the Embassy official that CIA had no interest in the case following receipt of the August 1, 1984 cable from the CATF branch. The Station also suggested that Headquarters might "wish [to] ascertain if [the "Funny Farm"] reference was indeed to [CIA] and, if so, correct the misunderstanding." Additionally, Headquarters was asked to inform the LA Division Station of any actions it had taken in regard to the depositions so that "we may reassure the [Embassy official] that [CIA] had no hand in cancellation of trip."

325. On August 14, 1984, a memorandum to FPLG from another IMS entity provided additional information concerning the results of the review of CIA records for any information regarding Zavala. The memorandum stated that there was no indication that Zavala was in the United States illegally or that he had he ever been the subject of any request for CIA records under the Privacy Act or Freedom of Information Act. On September 28, 1984, Chief/FPLG forwarded the memorandum to OGC for information.

326. On August 24, 1984, Headquarters sent a cable to three LA Division Stations informing them that CIA had indeed been a factor in the decision of the San Francisco United States Attorney's Office to return the money to Zavala and cancel the deposition trip to Costa Rica. This cable stated:

> 1. **Following discreet approach to senior Department of Justice official, [OGC] personally contacted the Chief of Criminal Division and Chief of Drug Task Force in U.S. Attorney's Office in San Francisco** to ascertain details of the subject prosecution and to avoid inquiry into activities or other [CIA] interests.
>
> 2. We were advised that Zavala had been arrested on 13 February 1983 in San Francisco and subsequently indicted on charges of "possession with intent to distribute" and "continuing criminal enterprise (CCE)." At the time of his arrest, a substantial quantity of cocaine was seized in addition to approximately $36,000 in U.S. currency. Although Zavala has pleaded guilty to "possession," he will require the U.S. to go to trial on the CCE charge which carries a minimum sentence of 80 months. Prior to Zavala's arrest, he had been the subject of a wiretap for some four months. During this period he and certain family members had inexplicably traveled to San Jose.
>
> 3. On the day of the [OGC] visit to San Francisco, the U.S. Attorney learned that one Francisco Aviles Saenz had executed an affidavit in San Jose which claimed that the money seized from Zavala belonged to [a Contra support group], that it had been collected from supporters of the party, and that these supporters included certain unnamed but official United States "organs." The copy which we saw, but could not retain pending authorization from the Court, was an official English translation and appeared to be one of many that had been made by defendant or his attorneys.
>
> 4. With a general briefing concerning the background of and relationship between [the misidentified former asset], Aviles and [CIA] interests, it was agreed by all that any litigation concerning the currency seizure would be fruitless. In essence the United States Attorney could never disprove the defendant's allegation that his was [a Contra support group] or [CIA] money, especially in light of the roles which [the misidentified former asset] and Aviles have played in the anti-Sandinista community.

Accordingly, at [OGC's] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge.

5. It was for this reason that the scheduled depositions in San Jose have been canceled. Notably, [OGC] also learned that both [the misidentified former asset] and Aviles were volunteer witnesses for the defendant and planned to testify at their deposition as to the source of the money in question. We can only guess at what other testimony may have been forthcoming. As matter now stands, [CIA] equities are fully protected, but [OGC] will continue to monitor the prosecution closely so that any further disclosures or allegations by defendant or his confidants can be deflected.

6. While this particular aspect was successfully resolved, the possibility of potential damage to [CIA] interests was not lost on the U.S. Attorney or [Headquarters]. By virtue of [the misidentified former asset's] relationship as former [covert action] asset and member of board of directors of [a Contra organization], Aviles role as director of the [Contra support group] office in San Jose, and their formal claim of drug-tainted money, case could be made that [CIA] funds are being diverted by [CIA] assets into the drug trade. Indeed, close relationship between Zavala, a convicted drug dealer, and [the misidentified former asset] and Aviles could prove most damaging especially if any relationship, no matter how indirect, were to continue. As long as [the misidentified former asset] and Aviles continue to play any role in the anti-Sandinista movement, any public disclosure of the foregoing would have as a certain element the fact that they were "linked to" or "assets of" [CIA].

7. While the United States Attorney was most deferential to our interests, it was strongly suggested that we take every measure possible to ascertain any involvement by [the misidentified former asset] or Aviles in narcotics trade and/or the possibility as to whether [CIA] funds given to [a Contra support group] might arguably have been diverted. No action other than discreet inquiries should be undertaken without [Headquarters] approval and no discussion of U.S. vs. Zavala issue with Aviles or [the misidentified former asset] may take place without U.S. Attorney approval. We would appreciate any information [twoLA Division Stations] can provide to clarify these issues.

8. . . .

9. . . .
10. . . .

(Emphasis added.)

No further information has been found in CIA files regarding the precise nature of the "discreet approach" to DoJ that was referred to in the first sentence of this cable. It also has not been possible to identify with any degree of certainty the senior DoJ official who reportedly discussed the Zavala case with an OGC attorney. A number of former OGC officials believe that Criminal Division Deputy Assistant Attorney General Mark Richard was the person most likely to have represented DoJ in such a discussion, but he has no recollection of the matter.

327. Information in the OGC file regarding the Zavala case appears to indicate that the majority of the text of the August 24, 1984 cable was originally written by OGC, although the Chief of the CATF branch concerned was indicated as the originator of the cable. The OGC file contains eight documents, including handwritten notes. One of the documents is a draft of the August 24, 1984 cable to the three LA Division Stations. With the exception of minor revisions and the addition of operational information in paragraphs 8, 9 and 10, the text of the cable sent to the three LA Division Stations on August 24, 1984 is the same as that contained in draft form in the OGC file.

328. An August 22, 1984 OGC cover note to FPLG, subject "*United States v. Zavales* [*sic*]" and signed by OGC Assistant General Counsel Lee S. Strickland, stated:

> Please find attached a proposed draft cable for [the LA Division] station concerning the subject prosecution. While paragraphs 6 and 7 are rather strong, I believe the station must be made aware of the potential for disaster. While the allegations might be entirely false, there are sufficient factual details which would cause certain damage to our image and program in Central America.

329. OGC travel records for the period have been destroyed in accordance with routine U.S. Government records management schedules. A surviving abstract summary of those records is of insufficient detail to establish whether it was in fact Strickland who traveled to San Francisco on behalf of OGC during the relevant time period. Entries in the abstract summary indicate that a number of OGC personnel traveled during the general time period but the name of the traveler, the specific dates of such travel and the destination are, in many cases, not specified. Several entries in the abstract summary list San Francisco as one such destination, but the name of the traveler is not specified.

330. The LA Division Station, in a September 8, 1984 response to the August 24, 1984 Headquarters cable, reported that it had additional information pertaining to the misidentified former asset. According to the report, the misidentified former asset had last been seen about March 1982 in Managua, Nicaragua. Since that contact, the misidentified former asset had reportedly married and was currently living somewhere in a foreign country. According to the report, the misidentified former asset was a "good man."

331. An OGC weekly report regularly prepared by General Counsel Stanley Sporkin for senior CIA officials made reference to the Zavala case. The October 26, 1984 report contained several factual errors, including mischaracterizing Aviles as a CIA asset* and misstating his position with the Contra support group. The relevant portion of the weekly report, which closely approximated the wording of the August 24, 1984 Headquarters cable to the LA Division Station in many respects, stated:

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* No information has been found to indicate that Aviles was ever a CIA asset. Also, contrary to the OGC weekly report, Agency records indicate he was briefly the San Jose, Costa Rica office manager for a Nicaraguan exile organization. Nevertheless, in September 1985, Aviles and others were given CIA-administered polygraphs in Costa Rica as part of security processing for positions on Fernando Chamorro's UNO/FARN general staff. The polygraph included questions regarding counterintelligence issues and personal involvement in arms and narcotics trafficking. In an initial September 6, 1985 polygraph session, Aviles' responses were deemed to be "inconclusive." However, following a September 27, 1985 session, Aviles' responses that he had no involvement in narcotics and arms trafficking, and on matters of counterintelligence interest, were all deemed to be "no deception indicated."

U.S. v. Zavala: During our quarterly review of Agency litigations, we decided to provide summaries of cases which the Director might find interesting. This is such a case. Several months ago, the [the LA Division] station queried Headquarters concerning a proposed visit by two U.S. Attorneys from San Francisco to interview two individuals who were assets--one [the misidentified former asset] and one the Chairman of the Board of Directors of a [Contra support group] funding mechanism (Francisco Aviles). Following a discreet approach to a senior Department of Justice official, we contacted the Chief of Criminal Division and Chief of Drug Task Force in U.S. Attorney's Office in San Francisco to ascertain details of the subject prosecution.

We were advised that Zavala had been arrested on 13 February 1983 in San Francisco and subsequently indicted on charges of "possession with intent to distribute" and "continuing criminal enterprise" (CCE). At the time of his arrest, a substantial quantity of cocaine was seized in addition to approximately $36,000 in U.S. currency. Although Zavala has pleaded guilty to "possession," he will require the U.S. to go to trial on the CCE charge which carries a minimum sentence of 80 months. Prior to Zavala's arrest, he had been the subject of a wiretap for some four months. During this period, he and certain family members had inexplicably traveled to San Jose.

Contemporary with our visit to San Francisco, the U.S. Attorney learned that Aviles, one of our assets,* had executed an affidavit in San Jose which claimed that the money seized from Zavala belonged to [a] political exile party . . . , that it had been collected from supporters of the party, and that these supporters included certain unnamed but official United States "organ[ization]s." The copy which we saw was an official English translation and appeared to be one of many that had been made by defendant or his attorneys.

This matter raises obvious questions concerning the people we are supporting in Central America and we are continuing our inquiry into this matter internally in conjunction with all concerned components.

332. Then-Counsel to the DO Ernest Mayerfeld forwarded the OGC weekly report to the Deputy Director for Operations with a

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* As noted in the previous footnote, Aviles was not a CIA asset.

brief memorandum on October 30, 1984. Mayerfeld's memorandum suggested the Zavala case was not as serious as portrayed in OGC's weekly report:

> This is an item taken from weekly news sheet put out by Stan Sporkin. This one covers last week's events. I don't know whether you had heard about this case - I had not. I talked to the lawyer that is handling this case, who tells me that the graymail aspects of this case are quite routine and he has every reason to believe that he can avoid, with the excellent cooperation of the San Francisco prosecutor, any public disclosure of our involvement. I do not think this is a big flap and ought not to be made into one. On the basis of what I know so far, I feel the final paragraph of the attached [weekly report] overstates things.

333. On November 2, 1984, Headquarters sent a cable to two LA Division Stations asking for information regarding Aviles and his role in Contra support groups. The Stations both responded on November 5, and one of them suggested that Headquarters contact a CIA officer who had formerly been assigned to that Station and might possess relevant background information. On November 7, 1984, Headquarters sent a cable to that officer explaining that certain information was needed by Headquarters "to prepare a report regarding the involvement of . . . Francisco Aviles in *U.S. v. Zavala* case now in litigation in San Francisco." In a November 8 response to Headquarters, the CIA officer said he had no information to offer.

334. **U.S. District Court/U.S. Attorney's Office Records.** During the prosecution of Zavala, the defense attorneys filed a motion in June 1984 to place under seal the Aviles and Rappaccioli letters and other related documents that claimed that the money seized from Zavala's home belonged to the Contras. The motion was granted by the Court. On August 8, 1984, the U.S. Attorney's Office's motion to remove the documents from under seal was granted by the Court. However, the next day, the Court vacated the unsealing order. AUSA Zanides recalls that, upon learning of the contents of

the letters when they were unsealed, the U.S. Attorney immediately moved to re-seal the materials pending a further review. This was done because the U.S. Attorney did not know whether the persons named in the letters were assets of CIA.

335. The documents that had been sealed have now been removed from seal by the U.S. District Court for the Northern District of California after CIA and DoJ asked the U.S. Attorney's Office to file a motion requesting that this be done. The documents that were formerly under seal include:

- Document number 639--a *Supplemental Declaration of Judd C. Iversen in Support of Deposition* that was filed with the Court on June 18, 1984;

- Document number 730--a transcript of a June 12, 1984 *in camera* proceeding involving arguments by the defense and the prosecution relating to the Rule 15 motion;

- Document number 745--a *Declaration of Judd C. Iversen in Support of Motion for Order Granting Leave to Take Deposition* dated June 4, 1984 and filed with the Court on August 28, 1984. This document included as attachments:

    a) An unsigned receipt for $45,000 in Spanish on PCNE letterhead that is dated January 24, 1983 and with an English translation of the Spanish text typed above the PCNE letterhead. A forensic analysis requested by CIA/OIG from DoJ's INS Forensic Document Laboratory indicates that the receipt is a composite document, i.e., it is a photocopy of two documents butted together;

    b) A photocopied document--in Spanish--titled TESORERIA ("Treasury"), signed by Vicente Rappaccioli, on PCNE letterhead. In the document, Zavala is identified as having been named

"ASISTENTE DE ESTA TESORERIA GENERAL DEL PARTIDO CONSERVADOR, AUTHORIZADO PARA COLECTAR DENTRO DE LOS ESTADOS UNIDOS DINERO PARA LA LIBERACION DE NICARAGUA DEL COMUNISMO INTERNACIONAL." *("Assistant to the General Treasury of the Conservative Party, authorized to collect within the United States money for the liberalization* [*sic*] *of Nicaragua from international communism.");*

c) An unsigned photocopy of an English translation of document (b) but with different type face and on plain bond paper;

d) A photocopied document--in Spanish--addressed A QUIEN CONCIERNE ("To Whom It May Concern") on PCNE letterhead. The document is signed by Aviles as the "SECRETARIO POLITICO" ("Political Secretary") and by Rappaccioli as the "TESORERO" ("Treasurer"). Following a brief description of the PCNE's goals and objectives, the document continues that Zavala: ". . . . ES MIEMBRO DEL PARTIDO CONSERVADOR COMO ASISTENTE DE TESORERIA Y SE ENCUENTRA EN LOS ESTADOS UNIDOS DE NORTE AMERICA PROMOVIENDO LA REINSTAURACION DE LA DEMOCRACIA EN NICARAGUA, PARA DICHA MISION LE FUE ENTREGADA LA CANTIDAD DE CUARENTA Y CINCO MIL DOLARES EN EFECTIVO, EN LA ULTIMA SEMANA DE ENERO DE MIL NOVECIENTOS OCHENTA Y TRES EN SAN JOSE, COSTA RICA. LA RETENCION DE ESTE DINERO PERJUDICANDO EL PROCESO DE LIBERACION, CON SUS CONSECUENCIAS NATURALES. *(". . . is a member of the Conservative Party as assistant treasurer and is located in the United States of America promoting the reinstatement of democracy in Nicaragua, for which mission he received forty five thousand dollars in cash, on the last* *week of January, 1983 in San Jose, Costa Rica. The retention of this money is prejudicing the progress of liberation, with natural consequences.")* ROGAMOSLE MUY ENGARECIDAMENTE A LAS AUTORIDADES CORRESPONDIENTES DEVOLVERNOS DICHO DINERO." (*"We dearly implore that the corresponding authorities return said money.");*

e) An unsigned photocopy of an English translation of document (d) on plain bond paper;

f) Several photocopies of newspaper clippings. One of the clippings was of a front page article from the July 14, 1983 edition of the *San Francisco Examiner* titled "CIA Buildup in Nicaragua." The other article was from an unidentified Spanish-language newspaper pertaining to The Frogman Case and was titled "Somocistas en Trafico de Drogas." ("*[Counterrevolutionary] Drug Trafficking*");

- Document 684--a notarized letter in Spanish, signed by Aviles, on UDN letterhead. It appears to be an original and is dated May 15, 1984. In addition, it has attached to it a separate English language "official translation" notarized on May 29, 1984 by an officer of the U. S. Embassy in San Jose. Following a brief introductory paragraph regarding the goals and objectives of the UDN, the letter--and its "official translation"--includes the following statements by Aviles:

a) "Qué el señor Julio Cesar Zavala Moreno es miembro de esta organización desde hace varios anos." ("*That Mrs. Julio Cesar Zavala Moreno* [*sic*] *is a member of this organization since several years ago.")*

b) "Antes de la última semana de enero de 1983 hizo varios viajes a Costa Rica trabajando para ésta organización." (*"That before the last week of January, 1983 he made several trips to Costa Rica, working for this organization."*)

c) "En su último viaje se le entrego la suma de cuarenta y cinco mil dólares en efectivo para compras propias de nuestra actividad." (*"That on his last trip the amount of forty-five thousand dollars in cash was given to him for purchases characteristic to this organization."*)

d) "Dicho dinero fué recaudado entre nuestros coloboradores aquí en Costa Rica." (*"That said money was collected amongst our collaborators, here in Costa Rica."*)

e) "El Organismo del Gobierno Americano, varias veces nos ha prestado ayuda para la lucha anticomunista que se realiza en Nicaragua." (*"That the American Government Organism* [sic] *has assisted us many times in the anticommunist fight which is taken* [sic] *place in Nicaragua."*)

f) "La retención de dicho dinero esta perjudicandonos el proceso de liberación que ya estamos en la etapa final." (*"That the retention of said money is damaging the freeding* [sic] *process which is in its last stage."*)

> "El suscrito firmante esta dispuesto de ofrecer testimonio de lo anteriormente relacionado ante la Embajada Americana en San José, Costa Rica, si fuese necesario." (*"That the undersigned is willing to offer evidence with regard to what has been stated above before the American Embassy in San Jose, Costa Rica, if necessary."*)

Other documents relating to the Rule 15 motion found in U.S. Attorney's Office records may have been subject to the original sealing order. However, the documents described above are the totality of documents that the U.S. District Clerk's Office identified as removed from seal by virtue of the August 6, 1997 U.S. District Court order.

336. A September 25, 1984 memorandum from OGC Attorney Strickland to FPLG indicated that the U.S. Attorney's Office consulted with CIA on September 24 regarding the sealing of documents relating to the letters. In discussing a declaration in which defense attorney Iversen alleged, among other things, "that the CIA has engaged in the cocaine trade," the Strickland memorandum stated:

> The U.S. Attorney, as he did in the previous instances, asked if there was any reason to seal this declaration. For the same reasons as with the Avilies [*sic*] affidavit, I indicated there were none but that I would check with the Directorate of Operations.
>
> Please advise me by telephone if you agree with our assessment.

No information has been found to indicate that FPLG responded--by telephone or otherwise--to Strickland's memorandum.

337. The declaration that Strickland referred to in his September 25, 1984 memorandum may be document number 745--*Declaration of Judd C. Iversen in Support of Motion for Order Granting Leave to Take Deposition*. That declaration by defense attorney Iversen stated, in part:

> . . . .
>
> 14. Based on the information I have received, I am informed and believe that agents of the United States government were intricately involved in the alleged conspiracy and either sanctioned the use of cocaine trafficking to raise funds for contra revolutionary activity and/or entrapped Defendant into participating under the belief that such activity was sanctioned.
>
> 15. I am informed and believe that the depositions of the Secretary and Treasurer of the Conservative Party of Nicaraguans (Francisco Avilessanez [*sic*], Esq. and Vicente Rappaccioli Marquis) are necessary testimony to present the defense of entrapment

> and/or outrageous Government conduct on behalf of Defendant Zavala.
>
> 16. I am informed and believe that the CIA engaged in drug trafficking during the Viet Nam War [*sic*] as a means to fund covert operations.
>
> . . . .

338. The Zavala case files in the U.S. Attorney's Office include an August 6, 1984 memorandum concerning an August 3 telephone conversation between AUSA Zanides and Marvin Cahn, one of Zavala's two defense attorneys. This conversation occurred at least four days prior to any visit by OGC attorney Strickland with Zanides. The memorandum indicated that the seized money and proposed depositions in Costa Rica were among several matters that were discussed. It noted that Zanides told Cahn that "Washington was having fits with the money situation with regard to the trip to Costa Rica."

339. According to the memorandum, Zanides asked Cahn "what it was that [the Zavala defense attorneys] really wanted from the depositions and if an explanation of the source of the money" was the main issue. Cahn was noted to have said that the money was the major issue, and Zanides wrote that he then asked "Would it be necessary to go to Costa Rica if I decided to forget the money." According to Zanides' memorandum, Cahn "thought that would be okay, but he would have to talk to Judd Iversen and get back to [Zanides]."

340. The Zavala case files in the U.S. Attorney's Office also contain an August 27, 1984 memorandum concerning an August 20 telephone conversation between Zanides and OGC attorney Strickland regarding information in CIA files pertaining to Zavala.* In regard to this information, this memorandum noted that:

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* The U.S. Attorney's Office files regarding the Zavala case also contain two handwritten notes that refer specifically to OGC attorney Strickland. The first note includes the words "Lee S. Strickland," "Asst. Gen. Counsel," "CIA," "Federal Express," a CIA office address in Northern Virginia and two telephone numbers--one telephone number denoted as "O" and the other

> On August 20, 1984, I returned the call of Strickland . . . .
>
> In sum, Strickland advised that all traces with respect to Julio Zavala had come back totally negative. Strickland advised that he had not merely requested the so-called 201 trace, but a trace for any information whatsoever. It was all negative.
>
> He asked whether or not he could get a copy of the documents currently under seal, and I told him the Court would have to remove the seal before we could obtain any copies.

341. Subsequently, the U.S. Attorney's Office and Zavala's attorneys agreed in an October 1984 "Stipulation Regarding Disposition of Funds" that:

- The U.S. would not introduce the "sum of $36,800" it seized from Zavala's home as evidence; and
- A cashier's check for $36,800 would be made payable to Zavala and Aviles "and presented to Julio Zavala through his undersigned counsel in San Francisco."

Relevant U.S. District Court records indicate that the Stipulation was signed by Zavala's defense attorneys Judd Iversen and Marvin Cahn on October 1, by AUSA Mark Zanides on October 2, and by Zavala on October 4, 1984.

342. Records of the U.S. Attorney's Office indicate that a cashier's check for $36,800, dated September 27, 1984 and identifying Aviles and Zavala as the payees, was hand delivered to defense attorney Iversen in early October 1984. Records of the U.S. Attorney's Office also indicate that AUSA Zanides signed for the check from the FBI on September 27, 1984. A letter transmitting the

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telephone number as "H." Strickland says that he recognizes the handwriting on the note to be his own and also says it is his recollection that the "O" and "H" telephone numbers were his office and home telephone numbers at one time. The second note contains the name "Strickland" along with a San Francisco address. CIA records indicate this address was that of a now-closed CIA office in the San Francisco area.

check from Zanides to defense attorney Iversen is dated October 2, 1984.

343. The cashier's check was for a total of $36,800, not the $36,020 amount that was reportedly seized from Zavala at the time of his arrest. Although the reason for the discrepancy is unclear, one possible explanation is that the additional $780 represents interest accrued while the money was in the possession of the U.S. Government.*

344. ***Individual Statements: Aviles.*** Aviles initially questioned whether the letters he had provided the Court and that had been placed under seal in 1984 had been altered. Aviles examined a photocopy of the May 15, 1984 letter he had sent and questioned whether various paragraphs had been "cut and pasted." Subsequently, Aviles conceded that his earlier statements were not correct and that the letter appeared to be genuine. A forensic analysis of the original letter conducted by the DoJ's INS Forensic Document Laboratory at the request of CIA/OIG found no apparent evidence of tampering.

345. ***Individual Statements: Zavala.*** Zavala recalls that, after the Aviles and Rappaccioli letters arrived from Costa Rica claiming that the money belonged to the Contras, defense attorney Iversen wanted to go to Costa Rica and get depositions from Aviles and Rappaccioli. Zavala also recalls that AUSA Zanides made clear that he did not want to go to Costa Rica to take the depositions, but did not explain why. In any event, Zavala says that Zanides approached Zavala or Iversen with an offer to forego introducing the seized money into evidence if the defense request for the depositions was dropped. Zavala says the money was not his to begin with and that he insisted the money be returned to its rightful owner. Zanides agreed to return the money several days later, according to Zavala.

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* One document found in the United States Attorney's office files relating to the Zavala case, a proposed *Stipulation of Fact Between the United States and Defendant Julio Zavala*, indicates that the total amount of money that was seized at the time of Zavala's arrest was $36,620, not $36,020.

346. Zavala recalls that two checks were actually issued. The first was made out to both him and Aviles and was given to defense attorney Iversen by Zanides. Iversen then reportedly turned the check over to Zavala's mother-in-law who had been given limited power of attorney by both Zavala and Aviles. Zavala's mother-in-law's name is the same as that of her daughter, Doris Salomon. Zavala says that his mother-in-law told him that, when she tried to cash the check, the FBI was notified and--apparently believing that Zavala's fugitive wife Salomon was attempting to cash the check--raced to the bank, confiscated the cashier's check and temporarily detained his mother-in-law.

347. Zavala says he became quite angry at what he perceived to be the U.S. Government's reneging on the agreement to return the money. Zavala says he was also angry that Aviles was made a co-payee on the check. Zavala argues that, since the money was seized from him, the check should have been made out to him exclusively. Zavala claims that, following further negotiations between his attorneys and the U.S. Attorney's Office, a second check was made out to him exclusively. It was cashed at a local savings and loan by his mother-in-law, using the limited power of attorney she had received from Zavala. Zavala recalls that some of the money was returned to Aviles by Zavala's mother-in-law, but does not know the exact amount Aviles received.

348. *Individual Statements: U.S. Attorney's Office Personnel.* Joseph Russoniello, the former U.S. Attorney in San Francisco during whose tenure The Frogman Case was prosecuted, says that he was not much involved in The Frogman Case and does not recall many details. Russoniello says that he has no recollection of ever discussing the case with a CIA representative and has no knowledge of anyone in his office being contacted by CIA concerning the Zavala case. Regarding the proposed depositions in Costa Rica, Russoniello recalls that, when he heard that the amount of money in dispute was about $36,000, his "first and last reaction" was that it would cost a great deal to take the depositions and that "it wasn't worth it."

349. In a March 19, 1986 letter that he wrote in response to the March 16, 1986 article in the *San Francisco Examiner,* Russoniello took issue with the newspaper's inference that Zavala and other defendants in The Frogman Case may have been given preferential treatment by his office because of their association with the Contras. The text of Russoniello's letter is as follows:

> Gentlemen:
>
> I was at first surprised and then mildly amused as I read your Sunday, March 16, front page story "linking" a Bay Area cocaine ring with the Nicaraguan contras. My amusement turned to outrage, however, when I reflected on what the story said or intimated about the role the U.S. Attorney's office played in this drama.
>
> The story gave the clear impression to those who read it, including at least three Congresspersons whose views you reported as front page "news" the following day, that Julio Zavala had been given preferential treatment by the U.S. Attorney's office because of his association with the contras and that we had covered up the proof of this treatment and the truth of the matter of his contra connection. Both impressions are wrong and you were outfitted with enough of the facts to dispel this impression but did not print them, for whatever reason . . . . the least of which must have been space constraints since you did find room to print a five column photograph taken perhaps as long as 24 hours after the pre-dawn arrests and seizures of January 17, 1983.
>
> Zavala was not given special treatment, unless you consider "special treatment" to be our best efforts to get him sentenced to fifteen years in prison rather than the ten years the Court imposed. He pleaded guilty to one Conspiracy and one Possession with Intent to Distribute Cocaine count which left the charge of conducting a Continuing Criminal Enterprise carrying a minimum of ten years and life top [*sic*] sentence unresolved. Despite pressure from the Court to dismiss the charge (a page from the Court transcript is enclosed for your perusal) we insisted and got a trial at which Zavala had the right to present whatever evidence he chose in mitigation or explanation of his conduct. He was convicted. We recommended fifteen years. As is its prerogative in the federal system, the Court sentenced him to serve a mandatory minimum ten years. **Zavala offered no evidence of U.S.**

Government complicity or CIA sponsorship at trial and no evidence of humanitarian purpose or patriotic overzealousness at sentencing.

We did no favors for Zavala's then-girlfriend, now his wife, Doris Salomon. Whatever may have been her past political interests, she was convicted on drug trafficking in 1981 and fled from the United States. We did not oblige her efforts to hide in Costa Rica but extradited her to San Francisco where she was sentenced to three years in prison on March 5, 1985. We had recommended a substantial prison term because of her "lack of contrition and continuing deceitful conduct."

We did return $36,020 to Zavala. It had nothing to do with any claim that the funds came from the contras or belonged to the contras. It had to do with the fact that it would have cost the taxpayers who were expected by the Court to pay for all travel by all counsel at least that much to fund the excursion to Costa Rica to take the necessary depositions for the problematical result we might be permitted to keep the seized funds. It made no economic sense to me to do this. No "higher ups" were involved, as Congresswoman Boxer wrongfully surmises. The U.S. Attorney had the authority then to compromise claims up to a $100,000 ceiling and I exercised that authority. The authority has since been increased to $200,000. While $36,000 may seem like a significant sum and people might disagree with our decision to return it, against the background that the cocaine seized had a value of $100 million and that we have millions of dollars in property and currency subject to forfeiture in this district at any given time ($20 million at present) and that little was to be gained from expending valuable agent and attorney time in further quest of what were by comparison "nickels and dimes," the decision was reasonable, justifiable and I make no apology for having made it.

Regarding the alleged coverup, it must be borne in mind that most of the information concerning the Court-approved wiretaps, the Cabezas trial testimony and the like is in the public record of the Court and has been for at least one year. Only the declarations of certain persons who made claim to the money were sealed at the government's request and then, not because of the truth of what was stated but because the mere allegations, true or not, related to national security as that term is defined by the

Classified Information Procedures Act. We were duty bound, not by fiat but by an Act of Congress, to protect that information from unauthorized disclosure and we did. There is no more to it.

As to the contention that defendants Zavala and Cabejas' [*sic*] drug dealings were tied to the contras and inspired or supported, perhaps by the CIA, while the accusation is scintillating, I remind you that there is absolutely no evidence of CIA involvement and there is absolutely no evidence to warrant the insinuation the defendants were connected to the contras except that their own statements they offered after the fact of arrest and in a futile attempt to explain away their own conduct claim so. Such alibiing is not uncommon among the criminally accused and its validity is usually suspect for that reason. Even if some inference could have been drawn from their own statement that might have otherwise raised a suspicion of "contra" connection, going to print eighteen months after the events reported (the declarations were unsealed August 8, 1984) but coincident with the President's well publicized speech to the Nation in which he sought support for aid to the contras removed any doubt but that this story was one of the most blatant attempts at contrived news-making we have witnessed in recent years.

We examined 11,000 intercepted telephone calls covering the period August 22, 1982 to February 26, 1983 and have reviewed them again to be certain of the facts. There is no reference to any contra activity; no known contra leaders are identified by name or by inference. Given that wiretaps disclosed the most intimate details of drug trafficking, one would have expected some reference to the contras . . . . there was none.

What is really shameful about this story, though, is that it has taken the hint of scandal to arouse certain members of Congress to the issue of drug trafficking and its impact on the Bay Area. Were it not for the opportunity your story provided we might never have heard them speak out on the subject at all. I hope they'll be as quick to apologize when they have all the facts as they were to condemn when they had read only a part of the full story.

Moreover, lost in the shuffle is the fact that literally dozens of federal agents from several agencies worked together tirelessly

> to develop and successfully prosecute the cases that led to the conviction of thirty-two members of a sophisticated, well-established international drug smuggling ring. It does a disservice to them to permit the hint of scandal to linger
>
> . . . .
>
> Very truly yours,
> /S/
> JOSEPH P. RUSSONIELLO
> United States Attorney

(Emphasis added.)

350. AUSA Zanides says he was assigned as lead attorney in the Zavala case on the day the arrest warrant regarding Zavala was executed. This was probably, he recalls, on or about February 15, 1983. Zanides recalls that Zavala's indictment did not identify any specific amount of cash to be forfeited because it was not known with any certainty at the time of the indictment that Zavala had large amounts of cash in his residence. According to Zanides, any cash seized was forfeitable if it constituted proceeds from criminal activity.

351. Although the August 24, 1984 cable from Headquarters to the three LA Division Stations indicated that OGC initiated contact with the United States Attorney's Office, Zanides recalls that it was he who first "reached out" to advise CIA of the Zavala matter and to determine what information CIA could provide. CIA, according to Zanides, reported back to him that it had found no information in its files pertaining to Zavala. In any event, Zanides says he received a visit from a CIA attorney to discuss the Zavala case. Zanides says he does not recall the name of the CIA attorney who visited him at the time. After examining eight photographs, Zanides selected a photograph of Lee Strickland as closely resembling the CIA attorney with whom he met. Zanides says he is not sure of the timing of the visit, but estimates that it was the summer of 1984.

352. Zanides says that he and the CIA attorney engaged in an "opaque conversation" and that the CIA attorney provided little or no explanation regarding what the CIA's interests were in the case. Nevertheless, Zanides recalls the CIA attorney stressing to him that the CIA would be "immensely grateful if these depositions did not go forward." He says he cannot recall whether the CIA attorney told him that CIA had any connection with the two individuals who were to be deposed, but he "did not infer they were CIA assets." Zanides recalls, however, that the CIA attorney was "very concerned about the public identification" of the individuals who were to be deposed.

353. Zanides' recollection of the meeting is that the CIA attorney was only interested in the persons who were to be deposed and that the CIA attorney did not indicate to him that there was any CIA interest in Zavala or the seized money. Zanides also says that CIA "never asked for special favor [in the case], no one from CIA asked me to give the money back to Zavala in so many words."

354. Zanides says he recalls making handwritten notes at the time of his meeting with the CIA attorney. However, no such notes could be located in the files of the U.S. Attorney's Office. Zanides is also confident that he advised James Lassart, then-Chief of the Organized Crime Drug Enforcement Task Force in the U.S. Attorney's Office in San Francisco, and possibly even Russoniello, of the meeting with the CIA lawyer.

355. Zanides states that "we did not need the money [as evidence] for the case." Zanides is adamant that the money would have been introduced as evidence and not given back to Zavala had there been any question regarding the need to use the money in the case against Zavala. As Zanides recalls, the seized money did not become an issue until June 1984, long after Zavala's arrest, when defense attorney Judd Iversen unexpectedly submitted a Rule 15 motion to the court.

356. Zanides says he has no recollection of being directly involved in the preparations to go to Costa Rica to take the depositions, although he does recall that he may have had concerns

regarding where the depositions were to be conducted. Zanides says his preference was to use the U.S. Embassy in San Jose. In any event, Zanides is confident that Russoniello made the decision to return the money to Zavala, thus negating the need to take any depositions in Costa Rica.

357. Zanides recalls that Russoniello believed that the trip to Costa Rica was too expensive. In explaining why the trip would have been so expensive, Zanides says that the traveling party had expanded to include himself, an FBI Special Agent, a court reporter, Zavala's two defense attorneys, and possibly a translator. Zanides says he was not disappointed that the trip was canceled since it would have entailed another week of trial preparation. In any event, Zanides says that the trip to Costa Rica "was never on as far as I was concerned."

358. Zanides recalls believing at the time that Zavala's defense attorneys wanted to accompany the prosecuting attorneys to Costa Rica so they could use the opportunity to try to impeach a confidential informant. As recalled by Zanides, defense attorney Iversen wanted the Zavala defense team to go to Costa Rica "so they could mess with" this confidential informant.

359. James Lassart, then-Chief of the Organized Crime Drug Enforcement Task Force in the San Francisco United States Attorney's Office, recalls some sort of civil action involving the forfeiture of the seized money in the Zavala case and that the government faced a choice between chasing witnesses in Central America or giving the money back. Lassart says a decision of that nature would have been made--if not by Russoniello personally--at least with direct participation of Russoniello. He recalls that Russoniello made the decision--based on cost effectiveness--not to take the depositions in Costa Rica. Thus, the matter was "resolved." Lassart says he does not recall why the depositions were needed in the first place. Lassart says, "It would have had to be the idea of the defense attorney. We would have had to be driven down there kicking and screaming."

360. John Gibbons, then-Chief of the Criminal Division for the San Francisco United States Attorney's Office, is identified by name in notes found in OGC's Zavala case file. However, Gibbons says he does not recall discussing the Zavala case with a CIA attorney, and he is not able to offer any insights into the trip to Costa Rica or the return of the seized money to Zavala.

361. ***Individual Statements: CIA Personnel.*** The now-retired FPLG representative says that she has no specific recollection of the events relating to the Zavala case. The CATF desk officer says he also has no recollection of his interactions with the FPLG representative or of the August 1, 1984 cable to an LA Division Station that identified him as the originator and stated that the Agency had no information relating to Zavala. The CATF desk officer says his responsibilities included file searches, preparing cables and other correspondence. He recalls that inquiries to the FBI were invariably via cable, and not in person.

362. Former OGC attorney Strickland says he has no recollection of the Zavala case. He recalls traveling to San Francisco on behalf of CIA on several occasions, but does not recall whether these trips were related to the Zavala prosecution. After reviewing relevant documents, Strickland says he has no doubt that he did go to San Francisco to meet with representatives of the U.S. Attorney's Office in connection with the Zavala case.

363. Strickland says he has no recollection of the circumstances under which he became involved, but observes that the small number of documents in the OGC file regarding the Zavala case suggests that the case was "not a big deal" at the time. The Zavala case file is marked with the handwritten notation "closed-confirmed by [telephone conversation] with AUSA-LSS 1-5-86." Strickland recognizes the handwriting and the "LSS" initials as his own and speculates he probably contacted AUSA Zanides to determine the final resolution of the case. Strickland says the meeting referred to in the August 24, 1984 Headquarters cable between OGC and the chiefs of the Criminal Division and Drug Task Force indicates to him that

CIA had "gone in at the top" in its contacts with the San Francisco U.S. Attorney's Office regarding the case.

364. Strickland says his duties in OGC were in the Litigation Division and focused primarily on civil cases. A criminal case such as the Zavala prosecution that possibly involved CIA assets or operations would more typically have been handled by OGC's Operational Support Division, or possibly by the OGC Counsel for the DO. Strickland says that he recalls working on about a half dozen criminal cases at most while he was in OGC. To place this number in perspective, Strickland says that he carried a case load that could have been as high as 200 cases at any particular time. Strickland's 1984 Performance Appraisal Report (PAR) notes that the majority of his work was on matters unrelated to criminal prosecutions and says that Strickland "carries one of the heaviest workloads in the Office."

365. Strickland states that the sentence in the August 24, 1984 Headquarters cable to the three LA Division Stations that pertains to the return of the money to Zavala--i.e., "Accordingly, at [OGC] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge"--may have been "inartfully worded," i.e., it gives too much credit to OGC's influence on the decision. Strickland observes that there may have been a fear at the time that, if the money were not returned, Aviles might have instituted some type of judicial action in an effort to have the money returned on behalf of the Contras. The publicity resulting from such an action would have been of concern to CIA.

366. Strickland speculates that it is possible that AUSA Zanides or others at the U.S. Attorney's Office were not pursuing the money aspect of the case for their own reasons, and that Strickland--in response to that information--may have suggested that the money be given back to Zavala. This would have eliminated the need to take the depositions in Costa Rica, and prevented any further attention to the matter by the Zavala defense. Strickland notes that, if the money were not to be used to support criminal charges and were not to be

subject to a civil forfeiture proceeding, the remaining option was to return it.

367. In this context, Strickland suggests that his presentation to AUSA Zanides when he traveled to San Francisco may not have been a "hard sell." Strickland makes clear that he would no doubt remember if the United States Attorney's Office had opposed the idea of returning the money and engaged in a "knock down and drag out fight" over the matter.

368. Former CIA General Counsel and current U.S. Federal District Court Judge Stanley Sporkin says he has no recollection of The Frogman Case. Sporkin says that the relevant CIA records suggest to him that the Agency clearly did not want this information on the front page of the newspapers.

369. Sporkin notes that OGC representatives kept him and other Agency officials properly advised as is evidenced by OGC's weekly report for the period ending October 26, 1984, a report that Sporkin personally signed. Sporkin adds that "we clearly were not trying to help [Zavala] keep drug money." In explaining the purpose for discussing the Zavala case in OGC's weekly report to senior CIA managers, Sporkin says, "I did what a lawyer is required to do, send [relevant material] to the client."

370. Although Sporkin has no current recollection of the Zavala case, he says:

> Maybe we should have found out more whether [*sic*] or not the money was drug proceeds, but the U.S. Attorney would not want any other agency to be involved in investigating a case he was prosecuting.

In any event, Sporkin adds, "Under my regime [as General Counsel], it was my policy not to succumb to graymail and a person who violated the law would be vigorously prosecuted as the law required."

371. Former Deputy General Counsel Edward Dietel comments that the Zavala case "wasn't explosive except for the money part." Dietel says that there would have been no violation of any OGC procedure at that time if Sporkin was kept informed of the case by the responsible lawyer. In any event, "a request like that would have had to have had [Sporkin's] blessing."

372. Dietel recalls that OGC had a "lot of dealings" with the United States Attorney's Office in San Francisco in the 1980s relating to a "steady flow" of cases. These cases typically were handled by a small group of about ten OGC attorneys. He does not recall whether Strickland was a member of this small group. Moreover, Dietel says there were regular case review meetings in which General Counsel Sporkin would meet with a representative of each OGC division to review each case. There were also oral briefings of Sporkin on an ad hoc basis, as well as memoranda and other means by which Sporkin was kept informed of significant events. How each case was documented in OGC records, however, was not always consistent since "we had more work than time to do it."

373. George Clarke, then-Chief of OGC's Litigation Division and Strickland's immediate supervisor, says he has no recollection of The Frogman Case although "it has a vague ring to it." He recalls that OGC's Operational Support Division typically handled criminal cases, but that the Operational Support Division would use Litigation Division attorneys to assist it as necessary. The OGC files pertaining to the Zavala case do not indicate whether Operational Support Division asked for Litigation Division assistance with respect to the Zavala case. Clarke notes, however, that a copy of the August 3, 1984 Headquarters cable appears to have been routed to the then-Chief of the Operational Support Division, Litigation Division attorneys sometimes handled some cases under the supervision of the Chief of the Operational Support Division and that over time Clarke worked to end this practice and have all litigation handled by the Litigation Division. The former Chief of Operational Support--who no longer works for CIA--says he has no specific recollection of this case nor does he recall any case in which he asked Lee Strickland to represent CIA as the case attorney.

374. Then-Deputy Chief of OGC's Litigation Division Page Moffett says he has no recollection of The Frogman Case. He says, "We would not have just called up the AUSA and dealt with him; for a variety of reasons, we would have contacted [the Department of Justice] first." Moffett believes the sentence in the August 24, 1984 Headquarters cable to the three LA Division Stations that pertains to the return of the money to Zavala--i.e., "Accordingly, at [OGC] request the U.S. Attorney has agreed to return the money to Zavala and to make no use of it during the trial of Zavala on the CCE charge"--might have been hyperbole. Moffett adds, "We never asked [an AUSA] to drop a prosecution," and "We tried not to intrude in a prosecutor's decision." Additionally, "If [John] Gibbons [Chief of the Criminal Division at the San Francisco U.S. Attorney's Office] thought it was not appropriate, then he would not have returned the money."

375. ***Individual Statements: Zavala's Defense Attorneys.*** Judd Iversen, one of Zavala's two defense attorneys, says that Russoniello described the money that was refunded to Zavala as "chump change." Iversen agrees that, in terms of the expense necessary to obtain the depositions in San Jose, the prosecution's decision to return the money was a "practical move." Iversen adds that it would have been evident to him if there were other motivating factors that influenced the decision to return the money. His sense is that Lassart is a man of integrity and that "if the CIA was involved, the prosecution would not have handled the case as they did." Iversen further observes that it "probably made no sense from the U.S. Attorney's perspective" to travel all the way to Costa Rica for the depositions.

376. Iversen says the cost of travel by members of the defense team to Costa Rica would have been paid from funds provided by the Criminal Justice Act. The funds for the expenses of such travel by U.S. Attorney's Office representatives, on the other hand, would have come from the U.S. Attorney's budget.

377. Iversen says he remembers it was a "nightmare" to cash the check that returned Zavala's money since one of the payees was in "South America." Although he has no specific recollection of Zavala's mother-in-law's role regarding the check, Iversen says he may have said something to Zavala about a power of attorney in relation to the check, but "it was not my task to cash the check." The check could have been mailed or delivered to Iversen by the U.S. Marshals for Zavala. Iversen has no recollection of a second, replacement check being provided, although he believes Zavala's wife Doris Salomon may have had some involvement in the cashing of the check.

378. Iversen also claims that Marvin Cahn, Zavala's other defense attorney, was called by someone from DoS who reportedly said that the defense attorneys should not travel to Costa Rica and threatened to pull their passports if they did. Cahn recalls having had telephone discussions with DoS officials regarding Embassy support to the depositions trip. However, he recalls absolutely no threat, explicit or implicit, regarding his passport should he have gone to Costa Rica. Cahn makes clear that, had such threats been made, he would have protested this both in Court and in the media.

379. Cahn does not accept the contention of Zanides, Lassart and Russoniello that the money was given back to Zavala to avoid the cost of taking the depositions. He recalls that the prosecution initially argued that going to Costa Rica to take depositions might involve some element of personal risk, possibly because of the general turmoil in the region. Cahn calls this argument "ridiculous."

380. Cahn also recalls that Russoniello, in justifying the return of the money, claimed that the amount of money involved was not worth contesting. Cahn characterizes Russoniello's assertion as "absolutely ridiculous," noting that he recalls that the U.S. Attorney's Office fought hard in other cases to retain seized assets of even lesser value than the money seized from Zavala.

381. When the money was returned, Cahn recalls having thought that "something is going on." Moreover, Cahn suspects that

the prosecution did not want the two individuals in Costa Rica to be deposed because that could have led to the disclosure of some type of U.S. Government activity in Central America. Cahn speculates that this was the reason Russoniello chose to return the money and forego using it as evidence against Zavala.

CONCLUSION

382. **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

TO WHAT EXTENT DID CIA RESPOND TO CONGRESSIONAL INQUIRIES REGARDING THE FROGMAN CASE?

383. A June 12, 1985 routing slip from the DO transmitted to CIA's Comptroller, as an attachment, proposed DO responses to May 2, 1985 questions from the House Appropriations Committee (HAC) regarding the Contras. One question related to allegations of corruption by Contra officials. Included in the lengthy DO response to that particular question was the statement that there was, "according to the FBI, no obvious connection between Zavala and Cabezas and the Nicaraguan resistance." No information has been found to indicate whether or how CIA conveyed this information to the HAC.

384. In the late 1980s, as part of an investigation into matters related to the Contra war, a subcommittee of the Senate Foreign Relations Committee (SFRC) examined alleged Contra links to drug trafficking. CIA records indicate that CIA officials met with the Chief Counsel of the SFRC on May 8, 1986 to discuss the SFRC's investigation. A May 8, 1986 CIA memorandum for the record regarding this meeting noted that the SFRC "had received a letter written by the U.S. Attorney in San Francisco that refuted the charges that members of the democratic resistance had been involved in drug smuggling." Attached to the memorandum was a copy of the March 19, 1986 letter from United States Attorney Russoniello to the *San Francisco Examiner* responding, among other things, to charges that The Frogman Case defendants were in any way connected to the Contras.

385. As part of its investigation, the SFRC asked the FBI to provide the Committee with documents relating to the "San Francisco narcotics investigation on Julio Zavala." As a result of the SFRC request, the FBI asked CIA on February 20, 1987 to review three of the FBI documents that referred to CIA.

386. On April 17, 1987, following a review of the FBI documents, CIA informed the FBI that it could not "consent to the FBI

providing the SFRC with this information. The documents reveal an Agency source, and it is our policy not to provide such information to a committee which is not charged with the oversight of intelligence agencies."

Chronology of Key Developments Related to The Frogman Case

1980

July 11	CIA cable makes reference to Julio Zavala as source of drugs for Nicaraguan Government official.

1982

June 17	CIA terminates relationship with the relative of one of the individuals arrested or convicted in connection with The Frogman Case.

1983

January 17	Law enforcement authorities arrest 12 individuals and seize 430 pounds of cocaine in San Francisco.
February 15	Arrest of Julio Zavala, Carlos Cabezas and others. Cocaine, cash and other items seized from Zavala's home.

1984

July 6	Zavala enters guilty plea to conspiracy to import cocaine and possession with intent to distribute cocaine.
July 27	DoS telegram requests U.S. Embassy, San Jose permission for AUSA Zanides and FBI Special Agent to visit San Jose for "court-ordered depositions" of Francisco Aviles and Vicente Rappaccioli.
July 30	LA Division Station informs CIA Headquarters of the DoS telegram. Station misidentifies Rappaccioli as a former asset and Aviles as former San Jose office manager for a Contra support group.
August 1	CIA Headquarters informs LA Division Station no CIA records exist concerning Zavala and there is no

	known connection between the misidentified former asset, Aviles and Zavala.
August 2	FPLG memorandum indicates CIA representatives are to meet with "the AUSA" on August 7.
August 3	CIA Headquarters informs LA Division Station that the misidentified former asset and Aviles "will testify as to source of money confiscated in cocaine raid in San Francisco" and that CIA representatives will meet with AUSA on August 7 "to draft course of action."
	Telephone conversation between AUSA Zanides and Zavala defense attorney Cahn regarding whether depositions would be necessary if AUSA Zanides "decided to forget the money."
August 7	Date FPLG memorandum indicates CIA representatives are to meet with AUSA.
August 17	LA Division Station reports "U.S. Attorney" visit canceled.
August 20	OGC attorney Strickland informs AUSA Zanides in telephone conversation that CIA has no information in its files pertaining to Zavala.
August 24	CIA Headquarters informs LA Division Station that U.S. Attorney's Office, at OGC request, returned money that had been seized in Zavala's home, thus negating need for Aviles and the misidentified former asset depositions.
September 8	LA Division Station reports that the misidentified former asset had married and was believed to be living in a foreign country.
September 24	U.S. Attorney's Office asks OGC attorney Strickland if there is any reason to seal Iversen declaration that alleges that "CIA has engaged in the cocaine trade."
September 27	Date of cashier's check that returned $36,800 to Zavala.
October 1-4	AUSA Zanides, defense attorneys Iversen and

	Cahn, and Zavala sign Stipulation Regarding Disposition of Funds" pertaining to "sum of $36,800."
October 2	Date of transmittal letter for cashier's check from AUSA Zanides to defense attorney Iversen.
October 26	OGC weekly report to senior CIA officials makes reference to Zavala case and "raises obvious questions concerning the people we are supporting . . . . "
October 30	Memorandum to Deputy Director for Operations from Counsel to DO downplays concerns expressed in OGC weekly report.
November	Series of CIA cables asking LA Division Stations for information pertaining to Contra support groups and Aviles.
	1985
March 19	Zavala found guilty of operating a Continuous Criminal Enterprise and other related charges.
March 29	Zavala sentenced to 10 years confinement.
June	House Appropriations Committee response prepared by CIA that there was, "according to the FBI no obvious connection between Zavala and Cabezas and the Nicaraguan Resistance."
September	Aviles polygraphed during security processing for position with UNO/FARN General Staff.
	1986
March 16	*San Francisco Examiner* publishes article linking Contras with drug trafficking activities of Zavala and Cabezas.
March 19	Date of U.S. Attorney Russoniello's letter to the editors of the *San Francisco Examiner* refuting many aspects of the March 16 article.

April 9	CIA Headquarters asks two LA Division Stations and an FR Division Station for information pertinent to the *San Francisco Examiner* article.
April 10	FR Division Station reports that FBI treated The Frogman Case as purely criminal matter with no known link between Zavala, Cabezas and the Contras.
	LA Division Station reports that allegations linking Fernando Chamorro to California drug traffickers are "completely false." Aviles reportedly dismissed from UNO/FARN as a result of the article.
April 11	LA Division Station reports that Aviles acted independently, possibly in exchange for money.
	LA Division Station reports that Fernando Chamorro denied having knowledge or involvement with Zavala and others named in the *San Francisco Examiner* article.
	CIA Headquarters reports that Aviles and Rappaccioli had acted purely on their own authority when they provided letters on behalf of Zavala to the U.S. District Court.
May 8	In meeting with CIA officials, Chief Counsel for the Senate Foreign Relations Committee (SFRC) indicates that he had "received a letter written by the U.S. Attorney in San Francisco that refuted the charges that members of the democratic resistance had been involved in drug smuggling."

1987

February 20	In response to a SFRC request for FBI documents pertaining to The Frogman Case, FBI asks CIA to review documents that contain CIA information.
April 17	Following internal review, CIA informs FBI that it could not "consent to your providing the Senate Foreign Relations Committee with this information . . . ."

CONCLUSIONS

387. **Did CIA have any relationship or dealings with Ross, Blandon or Meneses?** No information has been found to indicate that any past or present employee of CIA, or anyone acting on behalf of CIA, had any direct or indirect dealing with Ricky Ross, Oscar Danilo Blandon or Juan Norwin Meneses. Additionally, no information has been found to indicate that CIA had any relationship or contact with Ronald J. Lister or David Scott Weekly. No information has been found to indicate that any of these individuals was ever employed by CIA, or met by CIA employees or anyone acting on CIA's behalf.

388. **Was the drug trafficking of Ross, Blandon or Meneses linked to CIA or Contra activities?** No information has been found to indicate that Ross provided any money to any Contra group at any time, or that he had any contact or connection to the Contras or CIA.

389. No information has been found to indicate that the drug trafficking activities of Blandon and Meneses were motivated by any commitment to support the Contra cause or Contra activities undertaken by CIA.

390. Blandon and Meneses claim that they each donated between $3,000 and $40,000 to Contra sympathizers in Los Angeles. No information has been found to substantiate these claims. Moreover, no information has been found to indicate that Meneses or Blandon received any CIA or Contra support for their drug trafficking activities.

391. Blandon did have a personal relationship with Eden Pastora and provided him with financial assistance in the form of rent-free housing and two vehicles. Much of this assistance was provided to Pastora after he left the Contra movement.

392. **Did CIA intervene or otherwise play a role in any investigative and judicial processes involving the drug trafficking activities of Ross, Blandon or Meneses?** No information has been found to indicate that CIA hindered, or otherwise intervened in, the investigation, arrest, prosecution, or conviction of Ross, Blandon, or Meneses. CIA shared what information it had--specifically on Meneses' 1979 drug trafficking in Nicaragua--with U.S. law enforcement entities when it was received and again when subsequently requested by the FBI.

393. **Did any of the individuals who were arrested in "The Frogman Case" have any relationship with CIA? Were the drug trafficking activities of any of those individuals linked to the Contras?** No information has been found to indicate that CIA or individuals acting on behalf of CIA had any relationship with Julio Zavala, Carlos Cabezas or others who were arrested or charged in connection with the 1983 Frogman Case, though a relative of one of them did have a relationship with CIA until mid-1982.

394. No information has been found to indicate that Julio Zavala, Carlos Cabezas or other Frogman Case defendants were connected to the Contras or that the Contras benefited from their drug trafficking activities. No information has been found to support Cabezas' claim that he provided financial assistance to the Contras from his drug trafficking activities. While two individuals who were active in the Contra movement wrote letters indicating that the money seized from Zavala belonged to the Contras, it appears this was done though Zavala's wife's connections with old family friends and not because Zavala was active in the Contra movement.

395. **Was CIA involved in the investigation of The Frogman Case?** No information has been found to indicate that CIA or anyone acting on behalf of CIA was involved in the criminal investigation of Julio Zavala and his associates, though a relative of one of those who were arrested or charged did have a relationship with CIA until mid-1982.

396. **To what extent and why did CIA become involved in the prosecution of The Frogman Case?** CIA did make contact with prosecutors in the Zavala prosecution in order to protect what CIA believed was an operational equity, i.e., a Contra support group in which it had an operational interest. A CIA cable indicates that approximately $36,000 seized from Zavala at the time of his arrest was returned to Zavala--based on the claim they were Contra funds--by the prosecutors at CIA's request. However, the prosecutors state that the decision to return Zavala's money was based on other considerations, not CIA's representations, and that there was no evidentiary value to retaining the money. In any event, the actions taken by CIA to have the cash returned did not appear to be intended to influence the outcome of Zavala's trial, which resulted in his conviction.

A. R. Cinquegrana

CONCUR:

F. P. Hitz

Frederick P. Hitz
Inspector General

1/29/98

Date

Central Intelligence Agency
Inspector General

REPORT OF INVESTIGATION

ALLEGATIONS OF CONNECTIONS BETWEEN CIA AND THE CONTRAS IN COCAINE TRAFFICKING TO THE UNITED STATES

(96-0143-IG)

VOLUME II: THE CONTRA STORY

October 8, 1998

L. Britt Snider
Inspector General

Richard B. Still
Acting Assistant Inspector General
for Investigations

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2. February 11, 1982 Letter to DCI William Casey from Attorney General William French Smith regarding DoJ-CIA Memorandum of Understanding
3. February 8, 1985 DoJ Memorandum to Mark Richard from A. R. Cinquegrana, "CIA Reporting of Drug Offenses"

GLOSSARY OF TERMS

ADCI	Acting Director of Central Intelligence
ADDO	Associate Deputy Director for Operations
ADREN	Nicaraguan Democratic Revolutionary Alliance, an anti-Sandinista group formed in 1980 and disbanded in 1982
A.K.A.	Also Known As
ALA	Directorate of Intelligence/Office of African and Latin American Analysis
ARDE	Democratic Revolutionary Alliance, an anti-Sandinista, political-military organization founded in Costa Rica in 1982
ATF	Department of Justice, Bureau of Alcohol, Tobacco and Firearms
AUSA	Assistant United States Attorney
BOS	Southern Opposition Bloc, an anti-Sandinista group founded in Costa Rica in 1985
CATF	Directorate of Operations/Latin America Division/Central America Task Force
CGT	French General Confederation of Labor

CIA	Central Intelligence Agency
CMA	Civilian Military Assistance
CMS	Directorate of Operations/Career Management Staff
COPS	Chief of Operations
CONDOR	Nicaraguan Coalition of Opposition to the Regime, an anti-Sandinista group based in Miami, Florida, and formed in 1985
COS	Chief of Station
DCI	Director of Central Intelligence
DCOS	Deputy Chief of Station
DDCI	Deputy Director of Central Intelligence
DEA	Department of Justice, Drug Enforcement Administration
DGSE	General Directorate of State Security, the Sandinista secret police and Ministry of Interior special forces
DI	Directorate of Intelligence
DIA	Defense Intelligence Agency
DO	Directorate of Operations
DDO	Deputy Director for Operations
DoD	Department of Defense

DoJ	Department of Justice
DoS	Department of State
E.O.	Executive Order
EPS	DO/Special Activities Staff/Special Operations Group/Evaluation and Plans Staff
ERN	Army of the Nicaraguan Resistance, a Contra organization formed in 1987 consisting of the ERN/North front and the ERN/South front
ERP	Employee Review Panel
FARN	Nicaraguan Revolutionary Armed Force, the military arm of the anti-Sandinista Nicaraguan Democratic Union founded in 1980
FBI	DoJ, Federal Bureau of Investigation
FDN	Nicaraguan Democratic Force, an armed anti-Sandinista organization founded in 1982
FRS	Sandino Revolutionary Front, an anti-Sandinista, political-military organization founded in 1982
FSLN	Sandinista National Liberation Front, Marxist organization founded with Cuban help in 1961
FY	Fiscal Year

GOC	Government of Cuba
GRN	Government of National Reconstruction, official designation of the government of Nicaragua from July 1979 until January 1985
HAC	House Appropriations Committee
HN	Headquarters Notice
HR	Headquarters Regulation
HPSCI	House Permanent Select Committee on Intelligence
IG	Inspector General
IMS	DO/Information Management Staff
INS	DoJ, Immigration and Naturalization Service
KISAN	United Indigenous Peoples of Nicaragua, Atlantic Coast Indian organization established in 1985
MDN	Nicaraguan Democratic Movement, a social democratic party
MFR	Memorandum for the Record
MINT	GRN, Ministry of the Interior
MISURASATA	Miskito, Sumo, Rama, Sandinista All Together, an Atlantic Coast Indian organization formed in 1979

MOU	Memorandum of Understanding
NHAO	DoS, Nicaraguan Humanitarian Assistance Office
NIE	National Intelligence Estimate
NIO	National Intelligence Officer
NOG	DO/LA Division/CATF/Nicaraguan Operations Group
NSC	National Security Council
OCA	DCI/Office of Congressional Affairs
OES	Special Secret Operations Command of the 15th of September Legion
OGC	DCI/Office of General Counsel
OGI	DI/Office of Global Issues
OIC	Office of Independent Counsel
OIG	DCI/Office of Inspector General
OIJ	Costa Rican Office of Judicial Investigation
OIPR	DoJ, Office of Intelligence Policy and Review
OMS	DA/Office of Medical Services
OS	DA/Office of Security

PAR	Performance Appraisal Report
PDF	Panamanian Defense Forces
PRA	Permanent Resident Alien
RN	Nicaraguan Resistance, formed in 1987 by unification of BOS and the Unified Nicaraguan Opposition
SAS	DO/Special Activities Staff
SAT	Southern Air Transport
SFRC	Senate Foreign Relations Committee
SICC	Southern Indigenous Creole Community
SOG	DO/LA Division/CATF/Special Operations Group
SOG	DO/SAS/Special Operations Group
SSCI	Senate Select Committee on Intelligence
UDN	Nicaraguan Democratic Union, Southern Front Contra organization founded in 1980
UNO	Unified Nicaraguan Opposition in 1985-1987, joined with BOS in 1987 to form the RN
USDAO	U.S. Defense Attaché Office

YATAMA	The United Nations of Yapti Tasba--the Sacred Motherland, a Miskito Indian group formed by the 1987 merger of the anti-Sandinista forces of KISAN, MISURA, and MISURASATA

OFFICE OF INSPECTOR GENERAL
INVESTIGATIONS STAFF

REPORT OF INVESTIGATION

ALLEGATIONS OF CONNECTIONS BETWEEN CIA AND THE CONTRAS IN COCAINE TRAFFICKING TO THE UNITED STATES[1]

(96-0143-IG)

VOLUME II: THE CONTRA STORY

OCTOBER 8, 1998

INTRODUCTION

1. **Scope of IG Investigation.** In August 1996, the *San Jose Mercury News* published a three-part series of articles entitled "Dark Alliance." The series discussed drug rings in California and their alleged connections to the Central Intelligence Agency (CIA)-backed Nicaraguan Contra resistance in the 1980s. On September 3, 1996, Director of Central Intelligence (DCI) John Deutch asked the CIA Inspector General to investigate these allegations of connections

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[1] This report is an unclassified version of a classified Report of Investigation of the same title, issued by the Inspector General on April 27, 1998. Classified information that discloses CIA employees undercover and persons who had an intelligence relationship with CIA has been deleted, as has law enforcement information that discloses specific informant relationships. In addition, the names of certain other persons mentioned or discussed in the classified report have been deleted from this version because public disclosure is not clearly authorized under the Privacy Act, 5 U.S.C. §552a, and the Office of Inspector General (OIG) statement of routine uses for information in OIG's system of records governed by the Privacy Act. In such cases, the deleted name has been replaced with a generic descriptor, such as "a U.S. citizen." Where deletions have been made, the unclassified text is as close as possible to the original classified text.

between CIA, the Contras and drug trafficking. A 17-person team was formed to conduct the investigation.

2. The CIA Inspector General (IG) investigation included an examination of all information in CIA's possession concerning the individuals specifically cited in the *San Jose Mercury News* articles, and CIA knowledge of any drug trafficking allegations in regard to persons directly or indirectly involved in Contra activities, CIA assets, other individuals associated with CIA who dealt with the Contras, and companies and individuals involved in supporting Contra activities in Central America in the 1980s on behalf of CIA. The Report of Investigation consists of two volumes.

3. **Volume I.** Volume I, The "California Story," addresses findings regarding whether CIA knew of narcotics trafficking by Ricky Ross, Norwin Meneses and Danilo Blandon in Southern California. It also includes findings related to whether CIA knew of the narcotics trafficking activities of Julio Zavala and Carlos Cabezas in Northern California, their possible ties to the Contras and CIA's contacts with the San Francisco U.S. Attorney's Office in connection with their prosecution. Volume I was issued as a classified report on December 17, 1997. An unclassified version and an unclassified overview were made public on January 29, 1998.[2]

4. Volume I of the Report describes in detail the *San Jose Mercury News* allegations; the Scope of the IG Investigation; the Procedures and Resources used in the investigation; the Origin and Development of the Contra Conflict; CIA's Involvement with the Contras; Cocaine Flows through Central America in the 1980s; and Results of Previous Investigations into Alleged Contra Drug Trafficking.

5. **Volume II.** Volume II, The "Contra Story," addresses CIA's knowledge of any alleged drug trafficking by the Contras and persons or organizations who supported the Contra program in the 1980s. Volume II was issued as a classified report on April 27, 1998.

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[2] These documents are available on the Internet at www.odci-gov/cia.

The investigation included a review of any information in CIA's possession relating to:

- CIA's knowledge of drug trafficking allegations regarding Contra-related individuals, organizations, independent contractors, and other individuals supporting the Contra program.

- CIA's handling of, and response to, such drug trafficking allegations; and

- CIA's sharing with other U.S. Government entities, including law enforcement agencies and the Congress, of such allegations.

6. The investigation on which Volume II is based was not intended to prove or disprove the allegations or information received by the Agency concerning possible drug trafficking by specific individuals or organizations. Further, the description of such allegations or information in Volume II is not intended as representing the judgment of the Office of Inspector General (OIG) regarding the veracity of the allegations or information. The investigation also was not intended to review or evaluate the effectiveness of any CIA programs in Central America in the 1980s. Finally, factual information in Volume II regarding whether particular allegations or information were or were not shared with other U.S. Government agencies or the Congress does not represent a judgment as to whether or not such information was required to be so shared.

7. **Organization of Volume II.** In the course of the investigation, OIG reviewed CIA records regarding hundreds of Contra organizations, Contra leaders, Contra supporters, and individuals and companies that were involved in the Contra program. Based on this review, several dozen Contra-related individuals and one Contra organization were found to have been the subject of allegations or information concerning involvement in

drug trafficking. All information that was made available to the OIG from CIA records regarding these Contra-related organizations and individuals was examined.

8. Volume II is divided into five separate sections pertaining to Contra-related groups of organizations and individuals that were found to have been the subject of drug trafficking allegations or information.

- **Contra Organizations**--Any Contra group that was known to CIA to have had an organizational policy of trafficking in drugs to raise money for the organization. The OIG investigation found information about only one such group.
- **Southern Front Contras**--Contra leaders, members and supporters--including those associated with the FRS, BOS, UNO/South, and ARDE--who were based primarily in Costa Rica.
- **Northern Front Contras**--Contra leaders, members and supporters--including those associated with the FDN, UNO, 15th of September Legion, ERN, MISURA, MISURASATA, and YATAMA--who were based primarily in Honduras.
- **Other Individuals Involved in the Contra Program**--Individuals operating on behalf of CIA in support of the Contras, including foreign nationals used by CIA as intermediaries with various Contra organizations.
- **Pilots and Companies**--Pilots and companies assisting in the Contra supply effort.

9. Within each of these five categories, Volume II examines the organization or individual's background; the Agency's knowledge of drug trafficking allegations regarding the organization or individual; CIA's response to the allegations; and CIA's sharing of such

allegations with other U.S. Government entities, including law enforcement agencies and Congress.

10. Volume II also discusses the guidance that was available by statute, regulation, or CIA policy for dealing with known or suspected drug traffickers and how CIA personnel understood this guidance. The extent to which CIA disseminated intelligence relating to drug trafficking on the part of organizations and individuals associated with the Contras is also explained.

11. This Volume also includes three exhibits and five appendices. The appendices discuss information and issues related to Contra-drug trafficking allegations and other matters that were deemed to be relevant to this investigation.

EXECUTIVE SUMMARY AND CONCLUSIONS

KEY FINDINGS

Did CIA conspire with or assist Contra organizations or Contra-related individuals in narcotics trafficking to raise funds for the Contras or for any other purpose?

12. **CIA and CIA Employees.** No information has been found to indicate that CIA as an organization or its employees conspired with, or assisted, Contra-related organizations or individuals in drug trafficking to raise funds for the Contras or for any other purpose.

To what extent was CIA aware of allegations or information indicating involvement by Contra organizations or Contra-related individuals in drug trafficking? What did CIA do after becoming aware of such allegations or information?

13. **Contra-Related Organizations.** CIA received information that one Contra-related organization--the ADREN "15th of September" group--engaged in drug trafficking for fund raising purposes. This anti-Sandinista group formed in 1980 and disbanded in January 1982. No information has been found to indicate that other Contra organizations engaged in drug trafficking for fundraising or any other purpose, although individual members were alleged from time to time to be involved in drug trafficking.

14. **Contra-Related Individuals--Southern Front.** CIA received allegations or information regarding drug trafficking by Contra-related individuals in the Southern Front that operated from Costa Rica. In 1984, CIA received allegations that five individuals associated with the Democratic Revolutionary Alliance (ARDE)/Sandino Revolutionary Front (FRS) were engaged in a drug trafficking conspiracy with a known narcotics trafficker, Jorge Morales. CIA broke off contact with ARDE in October 1984, but

continued to have contact through 1986-87 with four of the individuals involved with Morales.

15. *The Morales Connection.* In December 1988, the Senate Subcommittee on Terrorism, Narcotics and International Operations published a report entitled "Drugs, Law Enforcement and Foreign Policy." One section of that report summarized the involvement of ARDE/FRS members with drug trafficker Jorge Morales based upon Department of State information:

> Information developed by the intelligence community indicates that a senior member of Eden Pastora's Sandino Revolutionary Front (FRS) agreed in late 1984 with (Morales) that FRS pilots would aid in transporting narcotics in exchange for financial assistance . . . the FRS officials agreed to use FRS operational facilities in Costa Rica and Nicaragua to facilitate transportation of narcotics. (Morales) agreed to provide financial support to the FRS, in addition to aircraft and training for FRS pilots. After undergoing flight training, the FRS pilots were to continue to work for the FRS, but would also fly narcotics shipments from South America to sites in Costa Rica and Nicaragua for later transport to the United States. Shortly thereafter (Morales) reportedly provided the FRS one C-47 aircraft and two crated helicopters. He is reported to have paid the sum of $100,000 to the FRS, but there was no information available on who actually received the money.

(Ellipses and parentheses are as they appear in the Subcommittee report.)

16. In addition to the five individuals associated with ARDE, CIA received drug trafficking allegations or information concerning 16 other individuals who supported Southern Front Contra operations based in Costa Rica.

17. **Contra-Related Individuals--Northern Front.** CIA also received allegations or information concerning drug trafficking by nine Contra-related individuals in the Northern Front, based in Honduras.

18. **Other Individuals Involved in the Contra Program.** CIA received drug trafficking allegations or information concerning five individuals who were used to support the Contra program.

19. **Companies, Pilots and Other Individuals Working for Companies Used in Support of the Contra Program.** CIA received drug trafficking allegations or information concerning 14 pilots and two other individuals who were associated with companies that provided support for the Contra program. CIA also learned of drug trafficking allegations or information concerning three companies that were used to support Contra activities from 1984 until at least 1988.

20. CIA received drug trafficking allegations or information concerning an individual who flew Contra support missions from Ilopango Air Base in El Salvador in 1985 and 1986.

21. CIA also received other information in 1986 to 1989 regarding additional suspicious activities, individuals and aircraft at Ilopango Air Base. However, no information has been found to indicate that CIA was aware that this information indicated that Contra-related organizations or individuals used Ilopango Air Base for drug trafficking.

What was the nature and extent of any statutory, regulatory, or policy guidance concerning CIA's handling of information about Contra-related organizations or individuals that were subject to allegations or information indicating they were involved in drug trafficking?

22. ***Statutory Guidance.*** The Department of Defense and Military Construction Appropriations Act for Fiscal Year 1987[3], which authorized $100 million for Agency support to the Contras, included a prohibition on the provision of any assistance to any

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[3] See Public Law 99-500, October 18, 1986, Section 204(b)(2).

group that, among other things, retained in its ranks any individual "who has been found to engage in . . . drug smuggling . . . ."

23. *Executive Branch Guidance: Reporting Potential Crimes to Department of Justice.* From August 15, 1979 to March 2, 1982, Attorney General Guidelines issued under Executive Order 12036 required CIA to report to DoJ possible violations of "any" federal laws--thereby including narcotics laws--by persons who were employed by, assigned to, or acting for CIA. The definition of "employee" in the Guidelines included assets, agents and independent contractors. Reporting of possible violations of federal law by non-employees was limited to a specific list of types of offenses that did not include narcotics violations.[4]

24. From March 2, 1982 to August 3, 1995, a Memorandum of Understanding (MOU) between the Attorney General and the DCI under Executive Order 12333 governed reporting of potential crimes. That MOU continued to require CIA to report to DoJ possible violations of "any" federal laws--again thereby including narcotics laws--by CIA employees. However, because of a change in the definition of "employee," agents, assets and independent contractors were moved to the non-employee category and thereby subject to the list of reportable offenses that did not include narcotics violations. The MOU provided that CIA would continue to have the discretion to report any offense by a non-employee to DoJ in addition to the potential crimes that were specified in the MOU.[5]

25. A February 11, 1982 letter from Attorney General William French Smith to DCI William Casey that accompanied the MOU noted that the 1982 MOU contained no formal requirement regarding the reporting of narcotics violations by non-employees and urged

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[4] Federal agencies that are outside the Intelligence Community, as defined in Executive Order 12333, are only required by law to report violations by their employees of criminal provisions in Title 18 of the U.S. Code--which does not include narcotics violations--and are not required to report any violations of federal law by non-employees.

[5] This discretion was exercised by CIA in 1984, for example, when information pertaining to association by Southern Front Contra members with drug trafficker Jorge Morales was reported to DoJ. It also was exercised in a 1988 referral to DoJ of drug trafficking allegations concerning another Contra official.

CIA's continuing cooperation with DoJ and the Drug Enforcement Administration. This letter did not, however, establish a legal requirement that CIA report potential narcotics violations by non-employees because no such requirement was included in the MOU. A February 8, 1985 internal DoJ memorandum stated explicitly that there was no requirement for CIA to report non-employee narcotics violations and suggested that the MOU would have to be renegotiated in order to include narcotics violations by non-employees as reportable crimes.

26. In August 1995, the 1982 DoJ-CIA Crimes Reporting MOU was revised. Under that revised MOU, assets and independent contractors are again considered "employees" for crimes reporting purposes. Further, narcotics violations are included among the list of "non-employee" crimes that must be reported to DoJ.

27. ***CIA Guidance.*** There was no Agency-wide regulation explaining the crime reporting responsibilities of CIA employees under E.O. 12333 and the DoJ-CIA MOU until December 23, 1987.

28. CIA's Directorate of Operations (DO) developed a draft DO Handbook in December 1980 that included a section that focused on restrictions and prohibitions regarding the use of narcotics intelligence collection agents who might be involved in narcotics trafficking. The instructions were not applicable to the Contra-related individuals or contractors discussed in Volume II, however, since none of those individuals or contractors were involved in the collection of narcotics intelligence. A summary of the 86-page draft DO Handbook was sent to all DO field stations in July 1982 and stated that the draft had been approved by the DCI and represented Agency policy. The DO Handbook was not formally issued until January 1996, however, more than 15 years later.

29. On March 6, 1987, Headquarters sent a cable to CIA personnel in Central America that, among other things, included a statement of the prohibition in the FY 1987 Department of Defense and Military Construction Appropriations Act on providing assistance to any group that retained in its ranks any individual who

has been found to engage in drug smuggling. A January 21, 1988 Headquarters cable to CIA personnel in Central America that were directly involved in supporting the Contra program also summarized that statutory restriction.

30. On April 9, 1987, Acting DCI Robert Gates sent a memorandum to the Deputy Director for Operations (DDO) Clair George stating that it was imperative that CIA avoid involvement with individuals tied to the Contra program who were "even suspected of involvement in narcotics trafficking." The Gates memorandum instructed the DDO to vet contract air crews, air services companies and subcontractors with the Drug Enforcement Agency (DEA), U.S. Customs and the Federal Bureau of Investigation (FBI) to ensure that the Agency would not be involved in any way with individuals suspected of being involved in drug trafficking.

31. ***Were relevant CIA regulations and policies timely and adequate?*** Then-current CIA regulations and policies did not address a number of drug trafficking issues that were repeatedly encountered by Agency managers and personnel during the Contra program:

- CIA had no published regulations or policies that addressed CIA employees' contacts with individuals or companies that were known or suspected to have been involved in drug trafficking, unless they were part of a counternarcotics operation or program. The Contra program was not such an operation or program.

- CIA had no regulations or policies regarding CIA's responsibilities to identify and pursue allegations or information indicating that organizations or individuals were involved in drug trafficking.

- CIA had no regulations or policies that required that information be requested from DEA, the Customs Service, or U.S. Government entities, other than the FBI, regarding individuals or entities of whom CIA had knowledge of drug allegations or information.

- ADCI Gates' April 1987 memorandum stating that it was imperative that CIA avoid involvement with individuals in Central America who were even suspected of narcotics trafficking was not issued in any form that would advise Agency employees generally of this policy.

- Agency personnel involved in the Contra program were not generally notified until January 1988 of the prohibition in the Department of Defense and Military Construction Appropriations Act for FY 1987, which went into effect in October 1986, on assistance to any group that retained in its ranks any individual who was found to engage in drug smuggling. A number of CIA personnel who were involved in the Contra program say they were aware of the statutory proscription prior to 1988, but no written guidance was provided to Agency personnel for determining that an individual had been "found to engage in drug smuggling" under the FY 1987 provision.

32. ***Recollections of CIA Personnel Regarding Alleged Drug Trafficking by the Contras***. Notwithstanding the shortcomings in applicable regulations and policy, many employees and former employees say today that they understood the potential seriousness of information that linked participants in the Contra program to drug trafficking. Indeed, many say they believed that the Agency's policy was not to have relationships with such persons.

CONCLUSIONS

Were CIA actions in dealing with Contra-related organizations or individuals that were subject to allegations or information indicating they were involved in drug trafficking consistent with relevant statutes, regulations and policies?

33. ***Statutory Requirements.*** The provision in the FY 1987 Department of Defense and Military Construction Appropriations Act called for a cutoff of funding to any Contra group that retained a member who "has been found" to engage in drug smuggling. During the period from October 1986 until December 1987 in which this prohibition was in effect, CIA was aware of allegations or information of varying credibility suggesting that ten Contras may have been involved in drug trafficking. Additional actions could have been taken by CIA in each of these cases to determine the credibility of the allegations and information in order to comply with the intent and spirit of the legislation.

34. ***Executive Branch Requirements.*** CIA crimes referrals practices pertaining to potential federal narcotics violations were consistent with the applicable provisions of Executive Orders 12036 and 12333, the Attorney General Guidelines under E.O. 12036 and the 1982 MOU between the Department of Justice and CIA under E.O. 12333. No information has been found to indicate that the non-inclusion of narcotics violations by assets in the crimes reporting requirements of the 1982 DoJ-CIA MOU was intended to protect Contra activities.

35. ***CIA Policies and Practices.*** CIA acted inconsistently in handling allegations or information indicating that Contra-related organizations and individuals were involved in drug trafficking. In some cases, CIA pursued confirmation of allegations or information of drug allegations. In other cases, CIA knowledge of allegations or information indicating that organizations or individuals had been involved in drug trafficking did not deter their use by CIA. In other cases, CIA did not act to verify drug trafficking allegations or information even when it had the opportunity to do so. In still other cases, CIA deemed the allegation or information to be unsubstantiated or not credible.

36. With respect to air services companies, contract air crew members and other companies that were used to support the Contra program, CIA took prompt action in responding to ADCI Gates'

April 9, 1987 instructions by requesting relevant information from U.S. law enforcement agencies in addition to the FBI. However, CIA's actions in response to information received from law enforcement agencies that indicated a possible drug trafficking connection by air services companies and individual crew members were inconsistent. Despite such information, several pilots and one mechanic continued to be associated with their companies in support of the Contra program.

To what extent did CIA share allegations and information indicating that Contra-related organizations or individuals were involved in drug trafficking with other U.S. Government entities?

37. *Congress*. Although records of congressional briefings in this regard were incomplete and often lacked specific detail, CIA briefings of the congressional intelligence oversight committees on Contra-related matters occasionally included allegations or information indicating involvement by Contra-related organizations or individuals in drug trafficking. CIA determined what was responsive to the requirement of keeping the congressional intelligence oversight committees "fully and currently" informed about Contra-related drug allegations.

38. CIA did inform the intelligence oversight committees in a timely manner of the 1984 allegations of association by ARDE members with drug trafficker Jorge Morales and their agreement for Morales to provide aircraft in exchange for facilitation of drug transport. However, CIA did not inform Congress of all allegations or information it received indicating that Contra-related organizations or individuals were involved in drug trafficking. During the period in which the FY 1987 statutory prohibition was in effect, for example, no information has been found to indicate that CIA informed Congress of eight of the ten Contra-related individuals concerning whom CIA had received drug trafficking allegations or information.

39. *Law Enforcement and Other Agencies.* The March 1982 DoJ-CIA Crimes Reporting MOU did not require that CIA report to DoJ narcotics trafficking violations by assets, or independent contractors associated with the Contras because assets and independent contractors were not defined as "employees" for crimes reporting purposes. However, the 1982 MOU gave CIA discretion to report offenses not included in the MOU. This discretion was exercised in 1984 when information pertaining to association by Southern Front Contra members with drug trafficker Jorge Morales was reported to DoJ. It also was exercised in a 1988 referral to DoJ of allegations of drug trafficking concerning another Contra official.

40. Allegations and information indicating drug trafficking by 25 Contra-related individuals was shared in a variety of ways with other Executive branch agencies, including law enforcement agencies as formal intelligence reports, cables and briefings in Washington, D.C.; and the field. However, no information has been found to indicate that any U.S. law enforcement entity or Executive branch agency was informed by CIA of drug trafficking allegations or information concerning 11 Contra-related individuals and assets. Beginning in January 1988, CIA began providing a U.S. law enforcement agency's regional office in Central America with information received by CIA regarding possible drug-related or other suspicious activities at Ilopango Air Base.

QUESTIONS PRESENTED

41. Volume II of this Report reviews the Agency's knowledge and handling of drug trafficking allegations regarding Contra-related individuals and organizations and others involved in supporting the Contras on behalf of CIA. The specific questions addressed in Volume II are as follows:

- What were CIA's legal and regulatory responsibilities during the Contra program regarding the reporting of potential drug trafficking crimes?

- What policies and guidelines governed CIA's contacts during the Contra program with persons and organizations alleged to be involved in drug trafficking?

- What do CIA Headquarters and field personnel recall regarding alleged drug trafficking by the Contras?

- What drug trafficking allegations was CIA aware of, and when, involving Contra organizations? How did CIA respond to this information, and how was this information shared with other U.S. Government entities?

- What drug trafficking allegations was CIA aware of, and when, involving Southern Front Contras? How did CIA respond to this information, and how was this information shared with other U.S. Government entities?

- What drug trafficking allegations was CIA aware of, and when, involving Northern Front Contras? How did CIA respond to this information, and how was this information shared with other U.S. Government entities?

- What drug trafficking allegations was CIA aware of, and when, involving other individuals supporting the Contra program? How did CIA respond to this information, and how was this information shared with other U.S. Government entities?

- What drug trafficking allegations was CIA aware of, and when, involving pilots and companies supporting the Contra program? How did CIA respond to this information, and how was this information shared with other U.S. Government entities?

- What was the nature and extent of CIA's knowledge of allegations of Contra drug trafficking at the Ilopango air base?

- To what extent did CIA disseminate "finished intelligence products" that included information about drug trafficking on the part of individuals, organizations, and independent contractors associated with the Contras?

- To what extent did CIA share information with Congress regarding allegations of drug trafficking on the part of individuals, organizations, and independent contractors associated with the Contras?

FINDINGS

WHAT WERE CIA'S LEGAL AND REGULATORY RESPONSIBILITIES DURING THE CONTRA PROGRAM REGARDING THE REPORTING OF POTENTIAL DRUG TRAFFICKING CRIMES?

Reporting Potential Crimes to Department of Justice

42. **Background.** For over 20 years, CIA had broad discretion to report or not report information that came to its attention regarding potential violations of federal law by its employees, assets and other persons. According to a 1954 memorandum from CIA General Counsel Lawrence Houston to the DCI, Houston discussed the issue of reporting Federal criminal violations to the Department of Justice (DoJ) with Deputy Attorney General William P. Rogers on February 18, 1954. According to that memorandum, Rogers and Houston agreed that CIA would be responsible for determining whether a potential violation of criminal law by persons associated with CIA would be referred to DoJ for prosecution. This arrangement was based on the belief that CIA was in the best position to determine whether classified information might be revealed in the course of such a prosecution. The memorandum also stated that CIA would be obligated to refer to DoJ potential criminal matters that could be prosecuted without revealing classified information, and that any doubts would be resolved in favor of referring the matter to DoJ. Finally, Rogers and Houston agreed, according to the memorandum, that it was not necessary at that time to enter a formal agreement of any kind that would embody these understandings.

43. In the mid-1970s, this arrangement became more widely known and was subject to criticism by the Congress[6] and others.

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[6] In its April 14, 1976 report, the Senate's Select Committee to Study Governmental Operations With Respect to Intelligence Activities (the "Church" Committee) concluded that the 1954 CIA-DoJ agreement "essentially delegated [to the CIA] . . . the power to determine whether criminal prosecution should be initiated against individuals who violated federal law. This delegation was

Then-Assistant Attorney General for DoJ's Criminal Division Richard Thornburgh wrote CIA General Counsel John Warner on July 24, 1975 to remind CIA of its duty to comply with 28 U.S.C. 535, a provision of law that imposes a duty on every department and agency in the Executive Branch to report promptly to the Attorney General any information, allegations, or complaints relating to possible violations of Title 18 of the United States Code by officers and employees of the U.S. Government. Warner responded on July 29 and acknowledged that "any other informal referral agreement that may have been in effect in the past was abrogated." At the same time, however, Warner noted that the DCI was charged under the National Security Act of 1947 with "protecting intelligence sources and methods from unauthorized disclosure" and that CIA would be seeking DoJ's advice as to fulfilling this responsibility in regard to "cases that will be reported."

44. **CIA Regulation Regarding Crimes Reporting**. As of November 28, 1975, CIA's policy for reporting information regarding potential violations of federal criminal law by employees and others was set forth in Headquarters Regulation (HR) 7-1 a(7). That regulation provided:

> Information, allegations, or complaints of violations of the criminal provisions of the United States Code by CIA officers and employees, or relating to CIA affairs, shall be reported immediately by an employee to the Inspector General, who shall inform the General Counsel. Information, allegations, or complaints of violations of Title 18 of the United States Code involving Government officers and employees shall be expeditiously reported to the Attorney General by the General Counsel in compliance with 28 U.S.C. 535. Such report to the Attorney General shall include an evaluation of the impact, if any, of a prosecution on the national security or foreign relations of the United States, including intelligence operations which may be jeopardized or intelligence sources and methods which may be compromised thereby. CIA will not exercise a prosecutorial function.

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and is unacceptable." Book I, p. 288. See also the June 1975 Report to the President by the Commission on CIA Activities Within the United States, at 16.

45. **E.O. 11905.** A presidential directive that CIA report information to DoJ concerning potential violations of certain federal criminal laws by employees and non-employees was first established by President Gerald Ford in Executive Order (E.O.) 11905, dated February 18, 1976. The pertinent part of E.O. 11905--Section 4(a)--stated:

> In carrying out their duties and responsibilities, senior officials [including those at CIA] . . . shall:
>
> . . . .
>
> (5) Report to the Attorney General that information which relates to detection or prevention of **possible violations of law by any person**, including an employee of the senior official's department or agency:
>
> . . . .

(Emphasis added.)

The preamble to Section 4 stated that:

> Unless otherwise specified within this section, its provisions apply to activities both inside and outside the United States, and all references to law are to applicable laws of the United States.

The reporting obligations imposed upon CIA and other U.S. intelligence agencies by this provision exceeded those required of other federal agencies. Whereas the responsibilities of other agencies in this regard are limited by 28 U.S.C. 535 to potential violations of Title 18 by U.S. Government employees, E.O. 11905 required CIA and other intelligence agencies to report **all** possible violations of **any** law by any person.

46. A May 7, 1976 opinion by DoJ's Office of Legal Counsel confirmed the breadth of Section 4(a)(5) of E.O. 11905 by concluding that it required reports of possible violations of any law, civil or criminal, with respect to which DoJ had either investigative or prosecutorial jurisdiction. This opinion also noted, however, that the agencies were required to report such information to the Attorney

General only when such information was acquired by them in the exercise of their functions under the E.O.

47. **E.O. 12036.** On January 26, 1978, President Jimmy Carter signed E.O. 12036, "United States Intelligence Activities," which superseded E.O. 11905. Section 1-7 of E.O. 12036 contained the following language regarding the obligation to report federal crimes:

> The senior officials of each of the agencies within the Intelligence Community shall:
>
> . . . .
>
> (1-706) Report to the Attorney General evidence of possible violations of federal criminal law by an **employee** of their department or agency, and report to the Attorney General evidence of possible violations by **any other person** of those federal criminal laws specified in guidelines adopted by the Attorney General.
>
> . . . .

(Emphasis added.)

Section 4-204 of the E.O. defined "employee" as:

> Employee means a person employed by, assigned to, or acting for an agency within the Intelligence Community.

48. E.O. 12036 thus narrowed the CIA's responsibilities with respect to reporting employee violations because it expressly limited the requirement to federal criminal violations. On the other hand, E.O. 12036 continued to require that intelligence agencies report any federal criminal violation by their employees, not just Title 18 violations. For example, most narcotics violations fall under Title 21 and would not be reportable by other U.S. Government agencies under a literal reading of 28 U.S.C. 535. Moreover, E.O. 12036 did not alter the fact that only the Intelligence Community agencies were required to report federal crimes by non-employees, although it did recognize that the scope of this portion of the reporting requirement could be narrowed by Attorney General guidelines.

49. On September 15, 1978, CIA amended HR 7-1 to incorporate the changes required by E.O. 12036. With respect to the obligation for reporting potential crimes, the revision read:

> ....
>
> Information, allegations, and complaints of possible violations of Federal criminal law by CIA employees or any other person shall be reported immediately by any employee to the Inspector General who shall inform the General Counsel. The Inspector General shall provide to the General Counsel an evaluation of the impact, if any, of a prosecution of such a violation on the national security or foreign relations of the United States, including intelligence operations which may be jeopardized or intelligence sources and methods which may be compromised. Pursuant to 28 U.S.C. 535 and Section 1-706 of Executive order 12036, evidence of possible violations of Federal criminal law shall be reported expeditiously to the Attorney General by the General Counsel in accordance with procedures and guidelines adopted by the Attorney General.
>
> ....

50. **Attorney General Procedures for Crimes Reporting**. On August 15, 1979, pursuant to section 1-706 of E.O. 12036, Attorney General Griffin Bell promulgated two sets of guidelines. One guideline pertained to the reporting of federal crimes committed by **employees** of agencies in the intelligence community. The other related to the reporting of federal crimes committed by **non-employees**.

51. The August 1979 Attorney General **employee** crimes reporting guidelines defined "employees" to include not only persons covered by the definition of that term in Section 4-204 of E.O. 12036 (i.e., those who were employed by, assigned to, or acting for an intelligence agency), but also any former employees when the offense was committed during their employment or related to potential violations of statutory restrictions on the post-employment activities of former employees. With respect to employees of intelligence agencies, the guidelines required the General Counsel to refer to DoJ any "allegations, complaints, or information tending to show that any officer or employee may have violated a federal criminal statute that

the agency cannot establish as unfounded within a reasonable time through a preliminary inquiry."

52. The August 1979 Attorney General guidelines for reporting crimes committed by **non-employees** set forth several categories of federal crimes as to which reporting would be required:

- Crimes involving intentional infliction or threat of death or serious physical harm (e.g., homicide, kidnapping);
- Crimes impacting on the national security, defense, or foreign relations of the United States (e.g., espionage, sabotage, violations of the Trading with the Enemy Act, neutrality offenses); and
- Crimes involving foreign interference with the integrity of United States Government institutions or crimes committed on behalf of a foreign power or in connection with international terrorist activity (e.g., bribery, election contributions, aircraft piracy, transportation of explosives).

Potential violations of federal criminal provisions relating to narcotics trafficking were not included among the categories of reportable crimes by non-employees. The guidelines did, however, include language also authorizing the General Counsel to report information concerning any offense that the General Counsel believed should be reported to the Attorney General.

53. On November 21, 1979, following the adoption of the August 1979 Attorney General guidelines, CIA amended HR 7-1. HR 7-1a (7) of that regulation stated:

> Any employee who, in the course of official duty, becomes aware of any information, allegation, or complaint of possible violations of Federal criminal laws by any person, including a person employed by, assigned to, or acting for the Agency, is required to report immediately such information, allegation, or complaint to the General Counsel. The Office of General Counsel shall consult with

> the Office of Security and the Office of Inspector General when necessary in conducting a preliminary inquiry to determine whether a basis for referral exists and shall obtain from concerned Agency components an evaluation of the impact, if any, of a prosecution of such a violation on the national security or foreign relations of the United States, including intelligence operations which may be jeopardized or intelligence sources and methods which may be compromised. Pursuant to 28 U.S.C. 535 and Section 1-706 of Executive Order 12036, evidence of possible violations of Federal criminal law shall be reported expeditiously to the Attorney General by the General Counsel in accordance with procedures and guidelines adopted by the Attorney General
> . . . .

This major revision of HR 7-1 established a requirement that CIA employees report information, allegations and complaints regarding possible violations of federal criminal law by any person directly to the General Counsel instead of indirectly through the Inspector General.

54. On November 21, 1979, CIA issued Headquarters Notice (HN) 7-39, "Supervisors' and Managers' Responsibility to Report Evidence of Crimes to the Attorney General--Executive Order 12036, Section 1-706." Section 4 of the HN addressed the issue of reporting potential crimes by employees:

> . . . .
> a. Employees. Senior officials of the Intelligence Community are required to report to the Attorney General evidence of possible violations by an employee of their department or agency of any Federal criminal law. The Executive order defines "employee" more broadly than the general or dictionary meaning of the word. "Employee" for the purpose of reporting crimes means a person employed by, assigned to, or acting for an agency within the Intelligence Community. Thus, for example, an agent, a safehousekeeper, a contract employee, or an independent contractor performing services for CIA is considered an employee.
>
> In view of these obligations, all employees have been instructed to report to the Office of General Counsel when, in the course of official duty, they become aware of (a) any information, allegation, or complaint that an **employee** may have violated any Federal

> criminal law, and (b) any facts or circumstances that raise a suspicion in the employee's mind that a Federal criminal offense has been committed by a **nonemployee**.
>
> . . . .

(Emphasis added.)

On the same day, CIA issued a companion notice, HN 7-38, "Employee Responsibility to Report Evidence of Crimes to the Attorney General--Executive Order 12036, Section 1-706." This HN provided the following guidance to employees:

> . . . .
>
> 3. In summary, all employees are instructed to report to the Office of General Counsel when, in the course of official duty, they become aware of (a) any information, allegation, or complaint that an employee may have violated any Federal criminal law, and (b) any facts or circumstances that raise a suspicion in the employee's mind that a Federal criminal offense may have been committed by a nonemployee.
>
> . . . .

HN 7-38 did not define the term "employee," but referred to HN 7-39 and noted that it dealt with the same subject in much greater detail. HN 7-38 also advised employees who wished further clarification to contact their supervisor or Office of General Counsel (OGC).

55. **E.O. 12333.** On December 4, 1981, President Ronald Reagan signed E.O. 12333, "United States Intelligence Activities," which revoked E.O. 12036. The provision of E.O. 12333 requiring reporting of crimes to the Attorney General was not revised in any substantive way, except for adding a specific reference to protecting intelligence sources and methods. Unlike the two previous Executive Orders, however, E.O. 12333 required the head of an intelligence agency and the Attorney General to agree on crimes reporting procedures.

56. Section 1.7(a) of E.O. 12333 stated that heads of departments and agencies in the Intelligence Community should:

> Report to the Attorney General possible violations of federal criminal laws by **employees** and of specified federal criminal laws by **any other person** as provided in procedures agreed upon by the Attorney General and the head of the department or agency concerned, in a manner consistent with the protection of intelligence sources and methods, as specified in those procedures.

(Emphasis added.)

Section 3.4(c) of the E.O. defined "employee" in the same way as that term had been defined in E.O. 12036:

> Employee means a person employed by, assigned to or acting for an agency within the Intelligence Community.

As had been true under E.O. 11905 and E.O. 12036, the reporting obligations imposed upon CIA and other U.S. intelligence agencies by these provisions exceeded the obligations of other federal agencies. Whereas the responsibilities of other agencies in this regard are limited by 28 U.S.C. 535 to potential violations of Title 18 by **U.S. Government employees,** E.O. 12333 requires CIA and other intelligence agencies to report all possible violations of any law by **any person.**

57. **1982 DoJ-CIA Memorandum of Understanding.** To implement section 1.7(a) of E.O. 12333 and replace the August 1979 guidelines promulgated by Attorney General Bell under E.O. 12036, a MOU between CIA and DoJ regarding crimes reporting was signed by Attorney General William French Smith on February 11, 1982 and DCI William Casey on March 2, 1982. (See Exhibit 1 for the full text of this Memorandum.) The MOU defined "employee" for crimes reporting purposes as:

- A staff employee or contract employee of the Agency;
- Former officers or employees of the Agency, for purposes of offenses committed during their employment; and

- Former officers or employees of the Agency, for offenses involving a violation of the statutory limits on activities of former U.S. Government employees.

This definition of "employee" was narrower than the definition of that term in Section 3.4(c) of E.O. 12333 which included any person "employed by, assigned to **or acting for** an agency within the Intelligence Community." (Emphasis added.) The effect of this omission was to move persons "acting for," but not employed by or assigned to, CIA from the "employee" to the "non-employee" category for crimes reporting purposes.

58. The list of non-employee crimes that were required by the 1982 DoJ-CIA MOU to be reported to the Attorney General was essentially the same as had been included in the August 1979 Attorney General guidelines. The only substantive change was that the 1982 MOU added certain violations of the Atomic Energy Act. As was the case with the 1979 Attorney General guidelines, the 1982 MOU did not include any type of narcotics violation among the lists of reportable crimes by non-employees. However, in language similar to that used in the portion of the 1979 Attorney General guidelines that applied to non-employees, Section IV D. of the 1982 DoJ-CIA MOU stated:

> Notwithstanding any of the above provisions, the General Counsel may report any other possible offense when he believes it should be reported.

59. On February 11, 1982, Attorney General Smith sent a letter to DCI Casey notifying him that he had approved the MOU and was sending it to Casey for his signature. (See Exhibit 2 for the full text of this letter.) The letter stated, in part:

> I have been advised that a question arose regarding the need to add narcotics violations to the list of reportable **non-employee** crimes . . . . 21 U.S.C. §874(h) [*sic*][7] provides that "when requested by the

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[7] Title 21 of the United States Code does not contain a section 874(h) nor did it contain such a section in 1982. The correct citation for the quoted language was section 873(b).

> Attorney General, it shall be the duty of any agency or instrumentality of the Federal Government to furnish assistance to him for carrying out his functions under [the Controlled Substances Act] . . . ." Section 1.8(b) of Executive Order 12333 tasks the Central Intelligence Agency to "collect, produce and disseminate intelligence on foreign aspects of narcotics production and trafficking." Moreover, authorization for the dissemination of information concerning narcotics violatons [*sic*] to law enforcement agencies, including the Department of Justice, is provided by sections 2.3(c) and (i) and 2.6(b) of the Order. In light of these provisions, and in view of the fine cooperation the Drug Enforcement Administration has received from CIA, no formal requirement regarding the reporting of narcotics violations has been included in these procedures. We look forward to the CIA's continuing cooperation with the Department of Justice in this area.

(Emphasis added.)

The letter did not request that DCI Casey concur in the expectations expressed by Attorney General Smith. On March 2, 1982, Casey signed the MOU.

60. The first part of the Attorney General's letter referred to 21 USC 873(b). That statute provides:

> When requested by the Attorney General, it shall be the duty of any agency or instrumentality of the Federal Government to furnish assistance, including any technical advice, to him for carrying out his functions under this subchapter [Title 21 of the United States Code]. . . .

The authority of the Attorney General to prosecute and litigate is not contained in Title 21 but rather is found generally in sections, 509, 516, 519, and 547 of Title 28. Those sections do not create a requirement to report narcotics violations to the Attorney General.

61. The second part of the Attorney General's letter referred to Section 1.8(b) of E.O. 12333. Section 1.8(b) states that the CIA shall "Collect, produce and disseminate intelligence on foreign aspects of narcotics production and trafficking." That section also does not

create a requirement to report narcotics violations to the Attorney General.

62. The third part of the Attorney General's letter referred to sections 2.3(c) and 2.6(b) of E.O. 12333. Section 2.3(c) states that DCI and Attorney General-approved collection procedures shall permit an intelligence agency to collect, retain and disseminate "Information obtained in the course of a lawful foreign intelligence, counterintelligence, international narcotics or international terrorism investigation." Section 2.6(b) states that an intelligence agency is authorized to:

> Unless otherwise precluded by law or this Order, participate in law enforcement activities to investigate or prevent clandestine intelligence activities by foreign powers, or international terrorist or narcotics activities.

Those sections do not create a requirement to report narcotics violations to the Attorney General.

63. The Attorney General's letter also stated that:

> In light of these provisions [discussed above] and in view of the fine cooperation the Drug Enforcement Administration has received from CIA, no formal reporting requirement of narcotics violations has been included in these procedures.

However, reporting of narcotics intelligence information to the Drug Enforcement Administration would not satisfy the requirement of section 1.7(a) of E.O. 12333 that potential criminal violations be reported to the Attorney General. While the 1979 Attorney General Guidelines under E.O. 12036 permitted reporting of potential federal crimes to appropriate law enforcement agencies in certain circumstances in lieu of reporting to the DoJ Criminal Division, the 1982 CIA-DoJ MOU required notification to the Criminal Division of any such referral to an investigative agency or to a United States Attorney.

64. On March 2, 1982, DCI Casey wrote to Attorney General Smith stating that he had signed the procedures. DCI Casey's letter did not refer to the issue of reporting narcotics violations and did not indicate whether he agreed or disagreed with the statements in the Smith letter.

65. On February 8,1985, A. R. Cinquegrana, Deputy Counsel for Intelligence Policy at DoJ, wrote a memorandum to Mark M Richard, Deputy Assistant Attorney General, Criminal Division, in which he stated:

> Pursuant to our discussion yesterday, attached are copies of the procedures governing CIA's reporting of crimes and the transmittal letters between the [Attorney General] and the DCI. As you can see, alleged violations of Title 21 [narcotics violations] by **non-employees** are not covered by the procedures to be reported. In lieu of formal reporting, however, the Attorney General's letter notes "the fine cooperation the Drug Enforcement Administration has received from CIA" and the Department's expectation of "continuing cooperation . . . in this area." Accordingly, it would appear that if CIA and DEA can work out a mutually satisfactory arrangement regarding the kinds of offenses at issue, there would be no need to modify the procedures, at least so far as **non-employees** are concerned.

(Emphasis in original.)

66. On January 5, 1988, in a letter to William F Weld, Assistant Attorney General for the Criminal Division that provided information regarding a possible violation of U.S. narcotics laws by Adolfo Chamorro, CIA General Counsel David Doherty noted that "Although this non-employee crime is not required to be reported under the Attorney General-approved guidelines, I am making this report because of the serious nature of the alleged offense." No information has been found to indicate that DoJ responded to this statement by the General Counsel.[8]

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[8] On March 17, 1988, Associate Attorney General Stephen S. Trott notified the Office of Independent Counsel (Iran-Contra) that: "After learning from the CIA that the allegations [concerning Chamorro] were based on hearsay, the Drug Enforcement Administration decided to take no further action in this matter."

67. On December 23, 1987, the CIA's HR 7-1 was revised to incorporate the changes that had been established six years earlier by E.O. 12333. With regard to crimes reporting, Section d of the revised HR stated:

> . . . .
>
> (5) All employees shall report to the General Counsel via their components facts or circumstances that appear to indicate the commission of a criminal offense . . . . Pursuant to Section 1.7(a) of E.O. 12333, CIA is obligated to report, through its General Counsel, to the Attorney General possible violations of Federal criminal laws by **employees** and of specific Federal criminal laws by **any other person** as provided in the crimes reporting procedures in Annex D.

(Emphasis added.)

Annex D of the revised HR 7-1 consisted of the 1982 MOU between CIA and DoJ. The February 11, 1982 letter regarding narcotics violations that had been sent by Attorney General Smith to DCI Casey along with the 1982 MOU was not included in Annex D.

68. **1995 Revision of the DoJ-CIA MOU.** In August 1995, DoJ, CIA and other Intelligence Community agencies agreed to a revised MOU governing the reporting of crimes that superseded the 1982 MOU on that subject. This revised MOU remains in effect.

69. Section II.A of the 1995 MOU defines an "employee" as follows:

> . . . a staff employee, contract employee, asset, or other person or entity providing service to or acting on behalf of any agency within the intelligence community.

Thus, the broad requirement to report any potential violation of law by any "employee" has been extended once again beyond persons employed by CIA and to include those who are "acting on behalf" of the Agency. Also, for the first time, potential violations of U.S. laws related to narcotics trafficking are specifically included by the 1995

MOU in the categories of potential violations by non-employees that are required to be reported to DoJ.

70. **Coordination with DEA.** On April 25, 1984, DEA and CIA revised an August 1978 MOU between them. The revised 1984 version of the DEA/CIA MOU, entitled "*Procedures Governing Conduct and Coordination by CIA and DEA of Narcotics Activities Abroad,*" focused on the collection and sharing of strategic narcotics intelligence and the issue of coordination at the field level. It did not mention CIA's crime reporting responsibilities under the 1982 MOU between DoJ and CIA.

71. The introduction of the revised MOU states that:

> [The MOU is] intended to promote coordination between the DEA Special Agent in Charge (SAC) and the CIA Chief of Station (COS) in matters of mutual interest, timely sharing of strategic narcotics intelligence and the prompt resolution at the Headquarters level of difficulties or disagreements. CIA and DEA have legitimate functions with regard to monitoring and countering international narcotics trafficking and production.

The revised MOU defines "strategic narcotics intelligence" as:

> . . . includ[ing] information regarding the influence of narcotics production and trafficking on the economy of a country, possible corruption of government officials, geographic areas of narcotics production, narcotics trafficking routes, financial intelligence (movements of funds attributable to narcotics production and trafficking) and estimates of narcotics production.

72. **Individual Views of CIA Responsibility to Report Narcotics Violations Under E.O. 12036 and the 1979 Attorney General Guidelines.** Bernard Makowka, an attorney in OGC from 1975-1989 and Chief of the Intelligence Law Division in 1982, states that narcotics violations by agents or assets did not have to be reported under E.O. 12036 and DoJ guidelines that existed at the time. According to Makowka, both CIA and DoJ were comfortable with this arrangement. Makowka says CIA did not want to be

involved in law enforcement issues while DoJ did not want "tainted leads" from CIA which could not be used in criminal prosecutions because of national security concerns.[9]

73. Makowka also states that E.O. 12036 restricted CIA from disseminating information on U.S. persons and therefore certain narcotics violations could not even be reported to DoJ. Makowka further states that the definition of "employee" in HN 7-39 is not consistent with the way that the OGC interpreted the term "employee" as it applied to E.O. 12036. According to Makowka, HN 7-39 could be read so as to require the reporting of agent crimes only when an agent was acting on behalf of CIA and that when the agent was acting on his own, no report would have to be made.

74. Edmund Cohen, an OGC attorney and Chief of the Administrative Law Division in 1982, states that there had been an agreement between CIA and DoJ under E.O. 12036 that CIA would not necessarily have to report crimes, including narcotics violations, if such crimes involved classified information.

75. The OGC attorney who served as Makowka's deputy in 1982 remembers being told by senior attorneys in OGC that there was a distinction made for reporting narcotics violations under E.O. 12036 in which the CIA would only report major narcotics violations to DoJ. He also notes that, in the late 1970s, CIA was not heavily involved in the collection of narcotics intelligence and it was not a high priority.

76. A. R. Cinquegrana, Deputy Chief of DoJ's Office of Intelligence Policy and Review (OIPR) from 1979 to 1991, states that he does not believe that the 1979 guidelines required CIA to report narcotics trafficking violations as potential crimes by non-employees since the definition of "employees" under those guidelines included agents and assets.

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[9] These concerns were addressed to some extent in 1980 when Congress passed the Classified Information Procedures Act, 18 U.S.C. App. 3.

77. **Negotiation of 1982 DoJ-CIA Crimes Reporting MOU.** According to the OGC attorney who served as Makowka's deputy in the Intelligence Law Division in 1982, CIA and DoJ entered into discussions over an MOU to establish crimes reporting procedures shortly after E.O. 12333 was issued by President Reagan. Approximately two months transpired between the issuance of E.O. 12333 and an agreement between the CIA and DoJ.

78. The OGC attorney who served as Makowka's deputy in the Intelligence Law Division in 1982 states that CIA General Counsel Daniel Silver assigned him the task of writing the first draft of the MOU. He says that he used the Attorney General guidelines under E.O. 12036 as a starting point regarding the list of reportable crimes. He did not add any new crimes to the list in his draft MOU and instead simply took the list of crimes from the 1979 guidelines. He also states that he received specific instructions from Cohen to narrow the definition of "employee" in the draft MOU from the definition in E.O. 12333. He recalls that there were not many changes between his draft MOU and the final MOU.

79. Makowka remembers that the negotiations for all the E.O. 12333 procedures took a long time to complete. Makowka oversaw the MOU negotiations for CIA but was one step removed from the day-to-day activities. Those responsibilities were handled by Cohen and his deputy for OGC, and says Makowka, the DO/Policy and Coordination Staff also was involved. Makowka also recalls that DoJ questioned everything in the E.O. 12333 procedures and says he assumes that DoJ carefully reviewed the MOU as well.

80. Cohen recalls that the MOU was thoroughly coordinated with DoJ. Cohen says that the negotiations over the MOU involved the competing interests of DoJ and CIA. DoJ's interest was to establish procedures while CIA's interest was to ensure that the MOU protected CIA's national security equities.

81. George Clarke, OGC's Chief of Intelligence Community Affairs in 1982, remembers that there were many discussions between CIA and DoJ but does not recall the specific issues. Clarke

does not recall any interagency disagreement over the crimes listed in the 1982 MOU.

82. While personnel from the DoJ's Criminal Division were not involved in the day-to-day negotiations, Cinquegrana says that OIPR kept them fully advised and consulted with them regularly as the draft developed. Cinquegrana says he and Mark Evans represented DoJ in the negotiations.

83. Mark Evans and Jerry Schroeder, both of whom were OIPR staff attorneys in 1982, state that they have no recollection of having worked on the 1982 Crimes Reporting MOU, although both worked on other aspects of implementing other provisions of E.O. 12333. Neither had any idea of who else may have worked on this issue. Cinquegrana states that Deputy Assistant Attorney General Mark Richard and OIPR Chief Mary Lawton[10] participated in some of the MOU discussions.

84. Richard says he probably had some input into the MOU, but that it was negotiated by Cinquegrana, as Lawton's deputy.

85. **Exclusion of Narcotics Violations from Scope of Reportable Non-employee Crimes.** Makowka remembers that the issue of narcotics violations was thoroughly discussed between DoJ and CIA before the MOU was signed. According to Makowka, DoJ questioned everything in the MOU and was very particular about every procedure listed in the MOU. He recalls that DoJ and CIA discussed the issue of whether narcotics violations should be in the list of reportable crimes and the parties arrived at an understanding where CIA would only report "serious, not run-of-the-mill, narcotics violations." Makowka believes that this represented a decision by CIA and DoJ to continue the practice established under the previous Executive Order in which only significant violations would be reported. Subsequently, Makowka added that DoJ and CIA agreed that significant narcotics transactions would continue to be reported even though not technically required under the MOU.

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[10] Mary Lawton is deceased.

86. According to Cohen, CIA's main concern was the collection of intelligence on narcotics, not law enforcement. He recalls that the only discussion between CIA and DoJ in terms of reporting narcotics violations to DoJ was in the context of Agency employees and the Agency reporting potential violations of law picked up through applicant and employee polygraphs. The deputy to the Chief of OGC's Intelligence Law Division in 1982 believes that the 1982 MOU was intended to be a continuation of existing practices under E.O. 12036.

87. Cinquegrana states that DoJ's Criminal Division reviewed and concurred with the non-employee criminal violations listed in the MOU. He believes that the Criminal Division had a better appreciation than OIPR for the kinds of crimes that should be included in the MOU. According to him, the list of crimes in the MOU seemed to represent at the time the categories of crimes that DoJ might expect to come to the attention of an intelligence agency during the course of its business. Cinquegrana does not remember any disagreements between DoJ and CIA relative to specific types of violations. From his perspective in OIPR, he believes the failure to include narcotics on the list of reportable non-employee crimes was an omission and not a conscious decision to exclude such matters.

88. Mark Richard, Deputy Assistant Attorney General with responsibility for General Litigation and International Law Enforcement in 1982, states that he probably had some input into the MOU. He was unable, however, to explain why narcotics violations were not on the list of reportable crimes except that the MOU had "other deficiencies, not just drugs."

89. **Purpose of the February 11, 1982 Smith Letter.** Cinquegrana says he remembers getting a telephone call "at the last minute" from Makowka who pointed out to him that the MOU failed to include the reporting of narcotics violations by non-employees. The draft MOU had already been cleared by all DoJ components--and was about to be signed by the Attorney General--when Cinquegrana reportedly found out about this omission. Instead of reopening the

negotiations and clearing a revised MOU, Cinquegrana states that he and OIPR's Mark Evans prepared a letter from the Attorney General to DCI Casey. The letter was designed to show the importance of the subject of reporting narcotics trafficking without reopening negotiations, and that it was DoJ's expectation that CIA would understand DoJ's intent. Evans has no recollection of working on such a letter.

90. Cinquegrana states that the letter was designed to create an expectation in the CIA that narcotics violations would be treated in the same way as the listed reportable crimes would be treated. Cinquegrana says that at that time DoJ hoped CIA would include guidance on narcotics trafficking reporting along with any guidance disseminated to its employees with respect to the MOU. Cinquegrana states that "we [DoJ] were trying to build the best case. . . . We anticipated that [narcotics violations] would be hard for the Agency to say 'no' to in terms of accepting the need to report such violations. And that 'responsible officials' would so realize." However, when asked about the specific effect of the Smith letter, Cinquegrana states that it would be going "too far" to conclude that the Smith letter added narcotics trafficking to the list in the MOU.

91. For his part, Makowka has no recollection of having a conversation with Cinquegrana about the fact that the 1982 draft MOU did not include narcotics violations as reportable crimes. He attributes the Smith letter to someone at DoJ becoming uncomfortable at the prospect of the MOU not including any mention of narcotics. Makowka believes that the letter reflects the understanding between DoJ and CIA that only serious, not run-of-the-mill, violations would be reported. Makowka does not believe that the letter changed the list of violations that were required to be reported to DoJ.

92. Cohen believes that the failure to add narcotics to the list of reportable crimes was an oversight by DoJ and that someone at DoJ became embarrassed on realizing that DoJ forgot to include narcotics violations in the list of crimes reportable to DoJ. Cohen speculates that the letter from DoJ was a "cover your ass type of document." His

interpretation of the letter is that it implies CIA should keep doing what it had been doing before the signing of the MOU. Cohen believes that the language was vague and did not add narcotics trafficking to the list of crimes CIA is required to report, although as a practical matter he believes that it was better to err on the side of reporting.

93. Clarke believes the intent behind the letter was that it was an oversight not to include narcotics violations in the list of reportable crimes. Thus, DoJ sought to make it clear that it expected the Agency to report such violations.

94. Makowka's deputy in OGC's Intelligence Law Division in 1982 believes that the intent of the letter was for the Agency to continue its past practice of reporting certain non-employee narcotics violations. He also thinks the Smith letter may have been a compromise in which CIA would report only major narcotics activities.

95. **Defining "Employee" in the 1982 MOU.** Makowka recalls that his deputy and Cohen worked very hard to define the term "agent" during the MOU negotiations. He believes that an independent contractor is not a contract employee and therefore is not an employee for purposes of the MOU.

96. Makowka's deptuy states that he was given explicit instructions from Cohen to develop a narrower definition of "employee" for the MOU than the language in E.O. 12333. The reason for doing so was to make a distinction between those people with staff-like access over whom CIA has a high level of control and agents and assets over whom CIA has limited control. He does not know whether DoJ was aware of CIA's reasoning for narrowing the definition. As previously noted, Makowka states that the definition of "employee" in HN 7-39 was not consistent with OGC's interpretation of "employee" and that the 1982 MOU was a joint effort by DoJ and CIA to refine language that would reflect the existing practice between CIA and DoJ under E.O. 12036.

97. Cohen says he believes the term "contractor" as defined in the 1982 MOU means a person with staff access. It was not intended to cover assets or agents.

98. According to Clarke, CIA wanted to make crimes reporting procedures less onerous on CIA. Clarke believes that "employees" were considered to be individuals who were processed by CIA's Office of Personnel. Clarke says that crimes reporting requirements concerning employees did not cover anyone with whom the DO dealt operationally.

99. Cinquegrana states it was his understanding that agents would not be considered employees under the MOU, although he would consider independent contractors as being covered under the category of "employee." At that time, he considered agents to be similar to informants used by law enforcement agencies. Cinquegrana also notes that OIPR "only knew what the Agency told us" regarding the status and duties of agents and assets.

100. Gary Chase, Chief of OGC's Administrative Law and Management Support Division from 1986 to 1989, says the term "contract employee" is a term of art and did not include an asset and probably did not include an independent contractor.

101. **View of CIA Requirements Under the 1982 MOU to Report Narcotics Violations by Non-employees.** OGC attorneys involved in the MOU negotiations--Makowka, his deputy, and Cohen--agree that the Smith letter did not--in the case of non-employees--have the effect of adding narcotics violations to the list of reportable crimes under the MOU.

102. Prior to the 1982 MOU, Makowka states, CIA could report potential violations to the Federal Bureau of Investigation (FBI) or DEA and meet its crimes reporting obligations to DoJ. Under the E.O. 12333 and the 1982 MOU, it was, however, no longer sufficient for the CIA to report crimes to DEA or FBI. Such violations would also have to be reported to DoJ, even if reported to the FBI or DEA.

Makowka believes that OGC would take into account statute of limitations issues when deciding whether to report an allegation to DoJ.

103. Cohen, who was in charge of making crimes reports to DoJ in the early 1980s, has no recollection of using the statute of limitations to avoid reporting a matter to DoJ. His view of erring on the side of caution was also the view of General Counsel Stanley Sporkin that, when in doubt, refer the matter to DoJ. Even though narcotics violations by non-employees were not covered by the MOU, Cohen states he would report a matter because not to do so might come back to haunt the Agency. On the other hand, he says that reporting of a matter really made no difference because DoJ never acted on the information.

104. Gary Chase, responsible for CIA's crimes reports to DoJ between 1986 and 1989, states that he is not familiar with the February 11, 1982 Smith letter and had not seen the 1982 letter prior to 1997. For him, the 1982 MOU was the definitive document that established CIA's responsibilities. Chase states that the 1982 MOU imposed no obligation on CIA to report narcotics violations by non-employees to DoJ.

105. Cinquegrana states that he would have expected OGC to report narcotics violations by non-employees and not to look for reasons not to refer a matter. He also believes that CIA has no authority to make statute of limitation determinations because such responsibility lies with DoJ.

106. **Summation.** Between August 15, 1979 and March 2, 1982, CIA was required by the April 15, 1979 Attorney General's guidelines under E.O. 12036 and HN 7-39 to report to DoJ any narcotics trafficking allegations relating to individuals, assets, or independent contractors who were associated with the Contras because assets and independent contractors were considered "employees" for crimes reporting purposes.

107. As of March 2, 1982, the terms of the 1982 CIA-DoJ Crimes Reporting MOU under E.O. 12333 no longer required that CIA report to DoJ narcotics trafficking allegations regarding individuals, assets, or independent contractors associated with the Contras because assets and independent contractors were not considered "employees" for crimes reporting purposes.

108. The February 11, 1982 letter from Attorney General Smith to DCI Casey that accompanied the CIA-DoJ Crimes Reporting MOU, did not create an additional requirement that CIA report to DoJ narcotics trafficking allegations regarding individuals, assets, or independent contractors associated with the Contras. However, Section IV. D. of the 1982 CIA-DoJ Crimes Reporting MOU gave OGC discretion to report any offense to DoJ in addition to those crimes specified in the MOU, including narcotics trafficking allegations regarding individuals, assets, or independent contractors associated with the Contras.

109. The April 25, 1984 CIA-DEA MOU and its August 28, 1978 predecessor defined and established procedures for the conduct, coordination and sharing of strategic narcotics intelligence information between CIA and DEA abroad.

110. In August 1995, the 1982 CIA-DoJ Crimes Reporting MOU was revised. Under that revised MOU, assets and independent contractors are considered "employees" for crimes reporting purposes, and narcotics violations are included among the list of "non-employee" crimes that must be reported to DoJ. The 1995 revision of the DoJ-CIA MOU specifically includes narcotics violations among the lists of potential offenses by non-employees that must be reported to DoJ.

111. **Maintenance of Relationships with Persons Suspected of Involvement in Drug Trafficking.** The Department of Defense and Military Construction Appropriations Act for Fiscal Year 1987, which authorized $100 million for Agency support to the Contras, included a prohibition on the provision of any assistance to any group that, among other things, retained in its ranks any individual

"who has been found to engage in . . . drug smuggling . . . ." See Public Law 99-500, October 18, 1986, Section 204(b)(2). This prohibition was made known to CIA personnel in three Latin America Division Stations in March 1987. In January 1988, personnel in those Stations and three other Latin American Division Stations were informed of the prohibition.

WHAT POLICIES AND GUIDELINES GOVERNED CIA'S CONTACTS DURING THE CONTRA PROGRAM WITH PERSONS AND ORGANIZATIONS ALLEGED TO BE INVOLVED IN DRUG TRAFFICKING?

112. CIA's DO developed a draft DO Handbook in December 1980 that included a section that focused on restrictions and prohibitions concerning contacts with individuals who might be involved in narcotics trafficking. The instructions were not applicable to the Contra-related individuals or independent contractors discussed in Volume II, however, since none of those individuals or independent contractors were involved in the collection of narcotics intelligence. A summary of the 86-page draft DO Handbook was sent to all DO field stations in July 1982 and stated that the draft had been approved by the DCI and represented Agency policy. The DO Handbook was not formally issued until January 1996, however, more than 15 years later.

113. Headquarters sent a cable on December 14, 1981 to all DO Stations and Bases notifying Agency personnel that President Reagan had signed E.O. 12333 on December 4, 1981, thereby superseding E.O. 12036. The main discussion in the cable concerned "the conduct of intelligence activities involving U.S. persons." In that context, the cable included reference to the E.O.'s authority for CIA to collect, retain and disseminate "information obtained in the course of a lawful . . . international narcotics . . . investigation."

114. On June 26, 1982, Headquarters sent a cable to all DO Stations and Bases noting that Attorney General Smith had approved a variety of procedures implementing E.O. 12333 and governing CIA activities abroad. The cable transmitted a complete set of these

procedures and noted that training teams would be dispatched to the field to brief personnel concerning the new procedures. Agency personnel associated with this training confirm that it took place. One officer associated with the training sessions recalls that questions regarding Agency dealings with drug traffickers were routinely raised in these training sessions in the field.

115. January 4 and April 9, 1985, Headquarters cables to Central and South American Stations outlined a training program that was to be delivered by visiting teams of CIA personnel. The cable explained that the training would cover, among other things, the topics of "accomplishing goals within the parameters of the law and sensitivity to legal and political considerations." In a section of the cable addressing reporting of crimes, the cable noted that "**reporting of narcotics violations is not mandatory** but [CIA] policy is to report strategic narcotics movements." (Emphasis added.) The training also was to address the interface between DEA and CIA outside the United States.

116. On April 9, 1987, Acting DCI (ADCI) Robert Gates sent a memorandum to Deputy Director for Operations (DDO) Clair George concerning air flights to Central America. In this memorandum, Gates addressed the standards for dealing with air crew members who were operating as contractors or subcontractors for the Agency. Paragraph two of the memorandum stated:

> . . . .
> It is absolutely imperative that this Agency and our operations in Central America avoid any kind of involvement with individuals or companies that are even suspected of involvement in narcotics trafficking. This must be true not only of those with whom we contract, but also their subcontractors. I believe it is essential that we obtain the names of all air crew personnel who have had any association with Agency contractors or subcontractors and vet those names through DEA, Customs, and the FBI--even though this is likely to be an onerous and occasionally inconvenient undertaking--and perhaps even hamper operations at times.
> . . . .

117. While several former senior Agency officials recall its substance, no information has been found to indicate that this memorandum, in its entirety, was disseminated to anyone at CIA Headquarters other than DDO George. With one isolated exception, no information has been found to indicate that the text or a summary of this memorandum was cabled to Agency field personnel who were involved in the Contra program. Nonetheless, the content of the memorandum was apparently widely known. For example, then-Central America Task Force (CATF) Chief Alan Fiers and CATF legal advisor Louis Dupart state that they were well aware of the ADCI's memo and interpreted it to apply broadly. A July 1987 exchange of cables between Headquarters and a Central American Station, while not citing the memorandum, did cite Gates' prohibition against using suspected drug traffickers.

118. A March 6, 1987 Headquarters cable concerning Department of State (DoS) actions regarding Adolfo Chamorro described the statutory provision barring assistance to a group with members who were found to be involved in drug trafficking:

> Section 204(8) [*sic*] of the Military Construction Appropriations Act of FY-87 which authorizes aid to the Nicaraguan Resistance forbids the provision of any aid to an organization which retains in its ranks any individual who has been found to engage in drug smuggling.

119. On January 21, 1988, Headquarters sent a cable to Central American Stations summarizing congressionally-imposed restrictions on the Contra program. The cable urged that it be read by all field personnel and included the statement:

> . . . .
> No assistance . . . may be provided to any group that retains in its ranks any individual who has been found to engage in . . . drug smuggling . . . . As [addressees] are aware, some individuals within the [Contra] resistance have been excluded from further participation due to their past and well documented contact with drug smuggling or drug smugglers. [Addressees] are reminded that should evidence of involvement of drug use or smuggling

> come to their attention, they should report it to [Headquarters] and aggressively follow up.
>
> . . . .

WHAT DO CIA HEADQUARTERS AND FIELD PERSONNEL RECALL REGARDING ALLEGED DRUG TRAFFICKING BY THE CONTRAS?

120. A large number of CIA personnel and other individuals acting on behalf of CIA were involved in implementing the activities to support the Contras. The following are the views of individuals concerning--from a Headquarters or field perspective--what they observed, what they did or what they thought they were supposed to do in connection with allegations of narcotics trafficking by the Contras. Those commenting range from an Acting DCI, DDOs, Chiefs of CATF, and COSs, who dealt with substantial strategic and management issues, to an independent contractor operations officer who lived with the Contras in their military camps.

121. **The Headquarters Environment**. Headquarters personnel assigned to the CATF during the 1980s indicate that CATF perceived itself as a group of dedicated officers who had one overriding priority: to oust the Sandinista Government. This task was, in their view, complicated by the actions taken by Executive Branch officials, intense scrutiny from Congress and the media, changing congressional restrictions, and independent activities undertaken through the auspices of the National Security Council (NSC). CATF personnel say it was understood that congressional restrictions had to be honored to preserve the program and the Agency's integrity. At the same time, they were determined that the various difficulties they encountered not be allowed to prevent effective implementation of the Contra program.

122. Senior Agency and CATF managers indicate that they were aware of restrictions regarding Agency dealings with persons or organizations known to be involved in, or suspected of, drug trafficking. Further, these officers recall being aware that, if a crime were discovered, it had to be reported to Headquarters.

123. Robert Gates, who served as Deputy Director of Central Intelligence (DDCI) from April 1986 to January 1987 and May 1987 to March 1989 and ADCI from January to May 1987, says that it was his position that CIA had to determine whether the Contras were involved in drug trafficking. It was "a matter of self preservation," not only for the Contra program, but for the Agency. In general, Gates says that the Agency had an obligation to terminate its relationship with any asset who was suspected by U.S. law enforcement agencies to be engaged in drug trafficking. Furthermore, Gates states that the Agency had an obligation to determine whether its assets had past or present involvement in drug trafficking. Gates says that allegations of drug trafficking had to be checked out.

124. Gates states that the intent of his April 1987 memorandum to DDO George was to instruct the DO not to have anything to do with known or suspected drug traffickers.[11] Gates believes that the policy from his office concerning narcotics trafficking was clear and consistent.

125. John McMahon, who served as DDO from 1978 to 1981, DDI from 1981-1982, Executive Director in 1982, and DDCI from 1982 to 1986, recalls that CIA was obligated to report individuals who were suspected of narcotics trafficking. As DDCI, McMahon says that any criminal violation, including narcotics, had to be reported to the DoJ. Agency relationships with assets associated with the Contra effort who were suspected of drug trafficking should have been terminated and the information reported to DEA, McMahon says. The Agency had an obligation to determine whether individuals or organizations with which it became involved were engaged in drug trafficking. It was not enough just to terminate a relationship when narcotics trafficking was suspected, states McMahon.

126. John Stein, who was the Associate Deputy Director for Operations (ADDO) from 1978 to 1981, DDO from July 1981 to July

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[11] That memorandum is discussed in paragraph 116.

1984, and Inspector General from 1984 to 1985, recalls that specific laws governed reporting of possible criminal activity. Stein says that Station officers and managers were supposed to report on narcotics matters and that "narco-trafficking had to be reported in all conditions." Stein says it would then be up to the DDO to decide how, but not whether, the information should be disseminated. "[Dissemination] is the only wise thing to do bureaucratically," states Stein.

127. Former CATF Chief Fiers stated in his written response to CIA/OIG questions that the April 1987 Gates memorandum prohibiting use of suspected drug traffickers was ". . . seen as a clear, direct instruction. It was understood to apply broadly, but it was equally understood that the area of concern was the logistics chain--also known as the Contra supply network. The memo was taken seriously."

128. Louis Dupart, CATF's legal advisor from mid-1985 to mid-1988, says that documents such as the 1982 CIA-DoJ MOU regarding crimes reporting served as guidelines, but CATF took a "common sense approach" on the issue of crimes reporting. According to Dupart, directives are written for those who do not exercise good judgment, those "who operate too close to the edge." Dupart states that criminal activity would have been reported by CATF to the OGC lawyer who served as principal legal advisor to the DDO and the information would then have been referred to DoJ or the FBI.

129. According to Dupart, CATF did not want anything to do with "tainted people," so it would not have to explain later why it dealt with such people. He points out that, beginning in the fall of 1986, the Iran-Contra scandal had broken and "we knew we could not deal with anyone who was tainted. Everyone was looking for drug involvement by the Contras: Congress, law enforcement, the media, everyone." Dupart says that, although the April 1987 Gates memorandum to DDO George was adhered to, the memorandum had little real impact because it merely reflected previously established CATF policy.

130. An officer who served as Chief of CATF/Nicaraguan Operations Group (NOG) from 1985 to 1986 and as CATF Deputy Chief from 1986 to July 1987, recalls that CATF management regarded drug trafficking as a "peril" to the Contra program because of the persons with whom CATF had to deal. However, he says that information relating to drug trafficking was not considered a collection or operational priority *per se*.

131. An officer who served in the CATF from 1984 to 1985 as Executive Officer and the first NOG Chief recalls that there was "no time to pursue drug-related leads or information" due to the "press of business." He recalls that he just tried to stay ahead of the cable traffic and Bill Casey's desire to be more creative.

132. An officer who was assigned to CATF in late 1987 and was CATF Chief from 1989 to 1991, notes that the top priorities were implementation of the Contra programs as well as foreign intelligence collection. As he recalls, Headquarters expected the Stations to report any information they acquired concerning the possible involvement in drug trafficking of individuals or organizations affiliated with the Contras or the Agency's Contra program. However, he says there was no requirement at the time to seek out such information systematically and aggressively.

133. This officer states that the narcotics issue was a target of opportunity. He observes that all of the Central American Stations were seeking information that would link the Sandinistas to drug trafficking. The goal was to diminish the image of the Sandinistas.

134. An officer who was LA Division Chief from 1986 to 1989 and CATF Chief from 1982 to 1983, stated in his written response to CIA/OIG questions:

> During the time I was C[hief]/CATF . . . , I recall there was little evidence of significant drug trafficking in the areas where the Contra forces were active (Honduras, Nicaragua, Costa Rica) except perhaps for some involvement by the Sandinistas. Later in the decade, cocaine from South America began to move more substantially into the US through the Central American area as

> pressure on trafficking in the Caribbean and other blue water areas increased. . . . Given the lack of credible data regarding Contra involvement in narcotics trafficking during the earlier years, however, I believe the primary focus with respect to drug trafficking was the continual monitoring required by our long-standing policy of insuring no involvement with any individuals or organizations involved in narcotics trafficking.
>
> The only rumors or reports I recall hearing of alleged Contra involvement in drug trafficking were anecdotal remarks I heard upon returning to LA Division in . . . 1986 from CATF personnel, particularly C/CATF [Alan Fiers] (who had direct responsibility for management of the Nicaraguan and Central American programs), to the effect that there had been some credible reporting of narcotics trafficking in the Southern Front (Costa Rica) . . . .
>
> While I cannot recall the existence of any reporting on any alleged Contra involvement in drug trafficking, I do not believe there were any requirements for special handling of such reporting nor do I recall any opposition or reluctance on the part of Agency officers to report on such topics.

The officer also recalled:

> Everyone in LA Division and CATF was aware of the controversial political nature of the Nicaraguan and Central American programs, and everyone knew that special vigilance was required to ensure that there were no violations of law or policy guidelines in the implementation of the program, particularly regarding criminal activity, narcotics trafficking, human rights abuses, etc., on the part of members of the Contra movement. Further, no . . . programs ever conducted by the Agency during my tenure was [*sic*] ever run as transparently as the Central American and Nicaraguan programs. Congressional members and staffers traveled frequently throughout the area and received extensive and detailed briefings on virtually every aspect of the program. Over a period of years the staffers became intimately familiar with the Contra program, and they would have been the first to call our attention to any problems in reporting on allegations of drug trafficking by Contras or Contra-related individuals. Further, State Department officers were deeply involved in political aspects of the program and were equally attuned to the sensitivities involved.

> The 1987 funding resolution requiring a funds cutoff to any organization involved in drug trafficking had no special impact other than to reinforce a policy that was already in effect to eschew any contact with groups or persons credibly suspected of involvement in drug trafficking. I believe our principal reaction to the resolution was to re-emphasize the importance of remaining vigilant to this danger.
>
> The Gates memo in April 1987, insofar as it referred to drug trafficking, repeated and reinforced a policy already in effect. As I recall, the memo was written in the aftermath of a problem involving an Air Branch proprietary or contractor and US Customs.

135. The officer who was LA Division Deputy Chief from 1980 to 1981 and LA Division Chief from 1984 to 1986, recalls that narcotics allegations regarding assets would be reported and the relationship with the asset would be terminated. "Handling assets with narcotics allegations in Central America [was] a no-no," he recalls. He says "Narcotics was a large issue with Latin America Division. What was not large was Contra involvement with narcotics."

136. An officer, who served as NOG Chief from 1986 to 1988, says that "the general thing about people who would cause trouble was not to deal with them." However, there needed to be a basis for suspicion and a threshold, i.e., "suspected by whom and on the basis of what."

137. The OGC attorney who succeeded Dupart in 1987 as the CATF legal officer states that the Agency decision regarding whether to use an individual who was subject to a drug trafficking allegation depended on the strength of the allegation and the reliability of the source.

138. Despite this general understanding of Agency policy regarding drug allegations, CATF managers' recollections of the impact of the April 1987 Gates memorandum prohibiting the use of contractors or subcontractors who were involved in CIA air operations and were even suspected of drug trafficking indicate no specific implementation of that policy. The former NOG Chief, for

example, does not recall anything specific about the April 1987 Gates memorandum, but recalls that it was around that time that CATF began to use more restrictive criteria for recruiting and maintaining relationships with individuals associated with the Contra program. He states that the instructions left no room for interpretation and that it was clear that CIA had to terminate its relationship with individuals who were suspected of drug trafficking. He notes that such decisions would have been made by CATF Chief Fiers in almost all cases.

139. One of the former Deputy Chiefs of CATF does not recall any specific discussion in CATF about the April 1987 Gates memorandum, nor does he recall a change in policy or more restrictive vetting criteria for assets and contractors. Two branch chiefs who served in CATF from 1986 to 1988 and 1987 to 1991, respectively, also do not recall any specific discussions about the Gates memorandum. One of the former Chiefs of CATF says he recalls the Gates memorandum and also that Agency relationships with some pilots may have been terminated as a result. He believes that the policy of vetting contractors and subcontractors was strictly adhered to.

140. The Chief of CATF's Special Activities Branch from 1986 to 1988 recalls Fiers discussing the Gates memorandum and that the general thrust of the discussion was that CATF could not deal with any subcontractors or purchase any aircraft that had previously been implicated in drug trafficking. He says that Fiers did not express displeasure with these guidelines during the discussion, and that Fiers said the Agency had to be totally clean with regard to individuals and aircraft. He indicates, however, that the Gates memorandum had little practical impact because CATF "already had [relationships with] the FDN pilots," meaning that new pilots were not needed.

141. **Procedures for Vetting Contractors and Others.** The April 1987 Gates memorandum included a requirement that contractors and subcontractors be vetted through DEA and Customs as well as the FBI. On March 31, 1988, CATF sent a memorandum to

then-DDCI Gates regarding use to support the Contra program of pilots and companies that may have been involved in drug trafficking. The memorandum, among other things, set forth CATF's approval criteria for individuals and companies that were involved in transporting equipment for the Contra program and indicated that, per Gates' instructions of "a year ago [that] the Agency has been extremely careful to properly vet all pilots, mechanics, and companies . . .," and explains that if "some derogatory information is found or alleged, but the various agencies do not believe it would be a problem for the U.S. Government to have a contract with the individual or company, a special approval is required which is signed by the chief of the division."

142. A former Chief of CATF does not recall that a focused, "across-the-board" policy for vetting Contras with respect to drug trafficking was ever established. He states that, if there had been information supporting drug trafficking allegations against an individual, CIA would have "pulled out all the stops" to collect more information about the allegations. He recalls that there was a well established policy in CATF to vet Contra pilots to ensure that they were not linked to drug trafficking. He says, "The Agency has been extremely careful in properly vetting all pilots, mechanics, and companies."

143. The former Deputy Chief of CATF says that, if someone had a background in narcotics or there were allegations of narcotics activities, the information was "checked out." He says that the narcotics problem was particularly difficult to deal with when it came to the leasing of aircraft. He observes that it was hard to find a plane without a drug record and most DC-6s had been placed on watch lists by DEA.

144. The Chief of CATF's Special Activities Branch from 1986 to 1988 was responsible for vetting air crews and other support personnel. He says that he does not recall any specific guidelines regarding the use of pilots who were known or suspected drug traffickers. In fact, he recalls that the whole policy was "bizarre" because the vetting process was focused on ensuring that the aircraft

that were being used had no prior history of involvement in drug trafficking. He recalls that there was great sensitivity to making sure the aircraft were "clean" so as not to run afoul of the congressional oversight committees and that it was as if the planes, not the individuals, were the narcotics traffickers.

145. The former NOG Chief says he does not recall the specific criteria for terminating a relationship with an individual who was alleged to be involved in drug trafficking. In his view, CATF was obligated to consider all derogatory information to be accurate. Back then, according to him, derogatory information from DEA or Customs, even if not substantiated, would have been enough to cause termination.

146. **The Field Environment**. Managers and officers who were assigned to Central America during the 1980s recall that the overriding priority task of their Stations and Bases was to support the Contras. In the field, CIA sought to develop and support military forces that could successfully engage the Sandinista Army. This effort, along with the maintenance of relationships with the Contra leaders, dominated Station and Base efforts and resource allocations. Recollections are mixed regarding the extent to which drug trafficking allegations became known and were reported.

147. A Central American Station's officers, who were responsible for handling Contra paramilitary activities in the 1980s, recall that the Station's main priority was to support the war effort. A former Deputy Chief of Station (DCOS) and Acting COS, says that "the Station was focused 99 percent on the [Contra] war effort" and that the "focus was always on the program." A Station officer states, "The focus was to get the job done, get the support and win the war." Another officer assigned to this Station adds that "the primary mission at [the] Station was supporting the Contras [and two other missions]." Another officer who was assigned to the Station in the mid-1980s says, "There was a war going on. The primary mission for seven years was fighting the Sandinistas." A paramilitary officer assigned to the Station in the mid-1980s recalls that his "only job was to train [Contras] in camps."

148. Most Station officers state that they would have reported to their supervisors or Headquarters for appropriate action any narcotics trafficking or criminal information they acquired. Most officers recall no allegations of trafficking by the Contras, although some do recall unsubstantiated rumors concerning individuals associated with Eden Pastora.

149. A Central American COS states that "narcotics was not something [Station personnel] were looking for in the 1980s, but that does not mean they would have ignored it if they had seen it." He says that his understanding of crimes reporting obligations since 1980 was that anything that looked to be criminal in nature should be reported to Headquarters.

150. The COS says he became aware of drug trafficking allegations against the Contras "fairly early" during his assignment. He says there was a group of "ne'er-do-well" people surrounding Eden Pastora who had histories that included criminal activity. He continues that "there was a range of derogatory information that may have included narcotics activities. Early traces revealed these folks should be treated carefully. Some were scoundrels." He indicates that the Headquarters reaction to derogatory information concerning Pastora's associates has to be considered in the context of DCI William Casey's overriding political objectives. As the COS explains:

> . . . yes, there is derogatory stuff and we would be careful in terms of counterintelligence and operational security, but we were going to play with these guys. That was made clear by Casey and [then-LA Division Chief Duane] Clarridge.

The COS says he is fairly certain that there was never any large infusion of drug money to the Contras because they "never hit the jackpot" in a way that would have indicated drug money or a substantial contribution.

151. A Central American Station DCOS recalls that he "did not know anyone with drug connections."

152. Another Central American Station DCOS states that he has "no knowledge of any Contras who were alleged to be involved in narcotics trafficking." He adds that, "if narcotics trafficking had been conducted by the Nicaraguan Contras, Agency officers would have found out." He emphasizes that Station officers "would have jumped out of their skin had allegations of trafficking into the U.S. been made."

153. An officer who served as an Acting COS states that he did not recall any enunciation of a specific reporting policy regarding narcotics trafficking, noting that "if there was a crime, it was reported."

154. An officer who served as DCOS, recalls that "counternarcotics was dealt with within the context of the Contra Program; when it came across the Station's screen it was reported, but otherwise it was not a factor."

155. An operations officer assigned to a Central American Station recalls that "it went without saying that if one came into a situation involving a serious criminal allegation, it would be raised with Headquarters and made a matter of record." He also says that he did not at any time believe that Pastora or anyone associated with the Contras was involved in drug trafficking.

156. An officer assigned to a Central American Station states that information on aircraft and personnel--including Contras--possibly involving in drug trafficking was reported to Headquarters and the DEA office in 1984-85. He recalls that the "CIA policy on drug-related information was [to] report the matter to CIA Headquarters, develop the information, run traces where possible and that CIA Headquarters was supposed to forward the information to the DEA." Another Station officer says, "Narcotics was just not on the radar screen at the time and [the country where he was assigned] was not a big transshipment point." He adds, however, that standard worldwide DO practice was to report any criminal activity to the COS who would then be responsible for forwarding the information to Headquarters.

157. An officer assigned to a Central American Station recalls that she "never heard any rumors of drug trafficking" by the Contras. Another officer assigned to the Station recalls no allegation of trafficking by the Contras. He adds that "Contras may have been doing things we weren't aware of and we always didn't know what they were doing," but he didn't believe they were involved in narcotics.

158. The former Acting COS says that he does not recall the procedures for vetting assets and contractors, but that "it was not normal to check autómatically with law enforcement agencies."

159. One Station officer recalls that, in effect, there was not much vetting of Nicaraguan assets. The officer recalls that she was not aware that any drug trafficking was taking place.

160. An independent contractor operations officer, who was assigned to train and support the Contras in their camps, recalls that he never saw anything to indicate drug trafficking on the part of the Contras with whom he dealt. He says that in every place he served in connection with the Contra program he had access to everything about the Contras. Although there were a few individuals who used marijuana personally, he says he never saw anything that suggested drug trafficking.

161. The independent contractor operations officer recalls that he was never tasked by the CIA officers with whom he dealt to determine whether there was any narcotics trafficking in the Contra camps. However, the officer also says that he believes that the allegations of narcotics trafficking by the Contras were "just something someone made up to cover up something else." He states that it was too evident that the Contras were getting money and help during the U.S. funding hiatus from somewhere and that narcotics trafficking allegations stemmed from efforts to explain the source of the support. In this light, he notes that Contra logistical personnel with whom he worked speculated that the flights that were sponsored by the U.S. private benefactors to support the Contras,

must have been funded from the profits of narcotics trafficking. The independent contractor operations officer says that the Contra logistical personnel, noting that the Contras continued to receive food, medicine, ammunition and other aid during the U.S. Government cut-off of funds, "probably made the assumption that narcotics was paying for this."

162. The independent contractor says he believes that these suspicions were unfounded. He describes the Contra logistics personnel suspicions as "just comments" and says:

> . . . it was an ideal situation to send drugs from [Central America] to the United States, but the Americans were too professional and had no reason to do so. Narcotics trafficking allegations were just rumors. If there was narcotics trafficking, it was probably from Nicaragua to the United States conducted by the Medellin cartel.

163. An officer, who was a Central American COS and later Deputy Chief of LA Division in the late 1980s, says that Honduras was not an attractive location for drug traffickers during this time period. A war was going on, it was a poor country, there were large numbers of U.S. military forces at Palmerola Air Base and elsewhere, there was a large U.S. radar system in operation that tracked aircraft throughout the region, and Airborne Warning and Control System aircraft operated in the area. Additionally, he recalls that the Contras controlled few, if any, airfields in Honduras. The geography of the country also was not conducive to drug trafficking by air. He notes that, for the most part, the land resembled a crumpled sheet of paper with few flat spots for landing strips. He says that, in his opinion, Guatemala, southern Mexico, or the Yucatan Peninsula were more desirable transshipment and refueling points for drug traffickers than Honduras.

164. He says he recalls reports that members of Eden Pastora's Southern Front organization may have engaged in drug trafficking activities and that Pastora may have later made admissions to that fact. There were also rumors that Mario Calero, the brother of Contra Northern Front leader Adolfo Calero, may have been involved in drug trafficking. He notes:

> The rumors that Mario Calero may have been involved with drug trafficking while running an [aircraft] from Louisiana were not believed to be true and no credible reporting on any such activity was ever received.

He says it was his understanding that the U.S. Customs Service and possibly the Immigration and Naturalization Service (INS) inspected all Contra-sponsored flights into and out of the United States to ensure there was no contraband, such as narcotics and weapons, on board.

165. He notes that Adolfo Calero and Enrique Bermudez had modest homes in Miami during this time period. In Honduras, they lived even more modestly. He says he once visited Bermudez' home in Miami and was struck by the fact that Bermudez' wife had set up a hair salon in their home as a means of producing income. He comments that they certainly did not live as if they had access to large amounts of drug money.

166. He says that, if CIA or other U.S. Government organizations operating in Honduras had acquired information indicating that the Contras were engaged in narcotics trafficking, it would have--or should have--been disseminated in intelligence reports. He makes clear that CIA was not alone in its intelligence collection and reporting efforts in Honduras and that large amounts of intelligence were collected by other U.S. Government agencies. Reports of Contra drug trafficking, he says, would probably have been a topic of discussion at the Interagency Working Group that was run by DoS official Elliott Abrams. For example, according to him, there may have been discussions at the Interagency Working Group concerning a Contra who was caught by the Contras growing a patch of "pot." The offender, as he recalls, was court-martialed by the Contras.

167. An officer who was a Central American COS in the late 1980s and LA Division Chief from 1989 to 1993, recalls in his written

response to OIG questions that a case involving Juan Rivas, a.k.a. "Quiche," was:

> . . . the only instance [he] can remember of a member of the [Contra's] Northern Front being tied to narcotics trafficking. [Northern Front leader Enrique] Bermudez himself . . . had never been accused to [his] recollection of carrying out or tolerating trafficking or traffickers. [He] recall[s] no sign that the Northern Front received money from traffickers. In fact they owed lots of money to the Hondurans for food during periods when we could not support them.

168. An officer who served as a Central American Acting DCOS in the mid-1980s does not remember the provision in the FY87 $100 million funding legislation for the Contras directing that no funds could be provided to organizations whose members engaged in drug trafficking. Further, he does not recall receiving any special briefing regarding this condition for the funding. He observes, however, that such a condition would have been closely adhered to since such programs were very strict about compliance issues.

169. A Station operations officer in the mid-1980s says he does not recall any rumors of Contra involvement in drug trafficking during his tour. Another Station officer says that there is "no way" the allegations contained in the *San Jose Mercury News* can be true.

170. A logistics officer assigned to Central America in the mid-1980s says he once heard a rumor that the Contras had included marijuana in an air drop of supplies to troops in Nicaragua, but says he heard nothing more about the allegation. He says that it was his impression that the Contras were "military/ideological people rather than a criminal element." He observes that, from a logistical point of view, Contra operations were not conducive to drug trafficking. The material all came from "the North to the South." He does not recall any cargo going "from the South to the North" and believes the media allegations "sounded preposterous."

171. An operations officer says that he never heard anything about drug trafficking and never saw any evidence of drug

trafficking. In fact, he recalls that the Contra camps did not even have alcohol available and no drinking was allowed. A Station staff officer says that she does not recall hearing anything about drug trafficking in connection with the Contras at that time.

172. An operations officer says that he obtained no information and heard no rumors during his tour about Contras engaging in drug trafficking. Noting that he had been a law enforcement officer prior to joining CIA, he says he saw no sign of drugs, "not even one marijuana cigarette," during his assignment. An officer assigned to Central America says that he was unaware of any Contra being involved in drug trafficking. The officer who served an Acting DCOS also says that he does not remember hearing any rumors or obtaining any information during his tour that linked the Contras in the country where he was assigned with drug trafficking.

173. A Station operations officer says that he did not hear any rumors of drug trafficking by Contra members. However, he vaguely remembers hearing about the lack of security at one of the air bases and how easy it would have been to move drugs in and out of the base. However, he says he cannot recall the name of the base.

174. A Station operations officer says that any information regarding drug trafficking by Contra leaders or any other asset would have been passed to Headquarters. He also states that he is unaware of any suppression by his supervisor or colleagues of information concerning Contra drug trafficking.

175. A Station operations officer recalls that CIA personnel serving in the country "clearly understood we were to have nothing to do with anyone involved in narcotics trafficking and to my knowledge no one ever did." He says that any drug trafficking information would have been handled in regular intelligence reporting channels. He says he recalls no management resistance at all to processing any reporting on drug trafficking and adds, "If someone attempted to hide such information, I would report them."

176. Finally, a Station operations officer says he does not believe that information regarding drug trafficking was ever suppressed by his colleagues or supervisors.

CONTRA ORGANIZATIONS

WHAT DRUG TRAFFICKING ALLEGATIONS WAS CIA AWARE OF, AND WHEN, INVOLVING CONTRA ORGANIZATIONS? HOW DID CIA RESPOND TO THIS INFORMATION, AND HOW WAS THIS INFORMATION SHARED WITH OTHER U.S. GOVERNMENT ENTITIES?

15th of September Legion--Justiniano Perez/Manuel Porro/Juan Francisco Rivera/Hugo Villagra/Fernando Brautigan/Felix Alcides Espinoza/Edwin Hoocker

177. **Background.** The military arm of the Nicaraguan Revolutionary Democratic Alliance (ADREN) was known as the 15th of September Legion. It was formed in 1980 and its principal leaders were Enrique Bermudez and Justiniano Perez Sala. Other leaders included Guillermo Mendieta Chaves, Alcides Espinoza, Ricardo "Chino" Lau, Manuel Porro, Manuel Villalobo, and Hugo Villagra.

178. In May 1981, a Central American Station reported that the ADREN, Nicaraguan Democratic Union (UDN) and MISURASATA had agreed in principle to combine forces in a new organization. They would continue to use the name 15th of September Legion for the organization's military arm. The new organization, the Nicaraguan Democratic Force (FDN), was established in September 1981. The FDN General Staff included Enrique Bermudez, Justiniano Perez, Ricardo Lau, and Juan Francisco Rivera. The merger of the UDN and the ADREN, including its 15th of September Legion, into the FDN was completed in early 1982. Former ADREN leader Guillermo Mendieta Chaves was excluded from the new organization because he was suspected of being a Sandinista spy.

179. The 15th of September Legion included a unit called the Special Secret Operations Command (OES). The Coordinator of the OES was Justiniano Perez. Other members included

Fernando Brautigan, Alcides Espinoza, Edwin Hoocker, Ricardo Lau, and Gerardo Martinez Gutierrez. The unit was organized to increase ADREN's operational capabilities both within and outside Nicaragua.

180. The ADREN to some extent engaged in kidnapping, extortion and robbery to fund its operations. A June 1981 Central American Station draft field intelligence report stated that ADREN leaders "see themselves as being forced to stoop to criminal activities in order to feed and clothe their cadre." The ADREN also engaged in the bombing of Nicaraguan civilian airliners and airliner hijackings as methods of attacking the Sandinista Government. The Station reporting from June 1981 through March 1982 identified the following 15th of September Legion members as having been involved in criminal activities: Brautigan, Hoocker, Lau, Martinez, Perez, Porro, Rivera, and Villagra.

181. A September 1981 cable to Headquarters (discussed in more detail later in this section) indicated that ADREN had decided to engage in drug trafficking to the United States to raise funds for its activities. ADREN members Alan Downs and Edwin Hoocker reportedly had been involved in an initial delivery of drugs to Miami in July 1981.

182. The leader of the ADREN/OES, Justiniano Perez, resigned from the FDN in November 1981. Perez wrote a resignation letter in which he stated that he was leaving because of internal dissension and mistrust within the FDN leadership. A June 1982 cable to Headquarters reported that Enrique Bermudez, Chief of the FDN General Staff, had stated that the OES was involved in armed assaults and thefts to collect funds. According to Bermudez, Perez disclaimed responsibility but admitted he had lost control of the group.

183. According to a March 1982 Headquarters cable, the FDN had ceased using the name "15th of September Legion" by early 1982. The name had become associated with a small splinter group led by Perez, Porro, Rivera, and Villagra. Its personnel were principally

former members of the ADREN/OES. The group reportedly continued to conduct criminal activities to support its operations against the Government of National Reconstruction (GRN) and identified itself as the 15th of September Legion.

184. ***Justiniano Perez Sala.*** In June 1982, Headquarters requested an assessment as to whether Perez "could be influenced to employ tactics other than those used by terrorists," if he were to be re-integrated into the FDN. In November 1982, with the support of MISURASATA leader Stedman Fagoth Mueller and the concurrence of the FDN, Perez re-joined the Nicaraguan Resistance (RN) as the Military Advisor to the MISURASATA.

185. A January 1984 cable reported that "Perez is the only person in Honduras and in the entire FDN with the leadership, charisma, and military tactical ability to make the movement go forward in the manner CIA would like." However, beginning in December 1983, two Stations reported that Perez became involved in a disinformation scheme, along with Francisco Rivera, Hugo Villagra and a Cuban-American U.S. citizen that was directed against the political and military leadership of the FDN. In May 1984, Perez withdrew from active service with the MISURASATA, returned to Miami, and had become associated with a dissident Nicaraguan exile group led by Hugo Villagra and the Cuban-American citizen that eventually became known as the Nicaraguan Coalition of Opposition to the Regime (CONDOR).

186. ***Manuel Porro Rubiales.*** A June 1982 cable identified Manuel Porro as a member of the FDN General Staff support unit. He was identified as an instructor at the FDN NCO School in an October 1982 cable. A September 1986 cable discussed Adolfo Calero's hiring of Porro as an assistant. A September 1987 cable indicated that Porro also reportedly handled Adolfo Calero's funding transactions between Miami and San Jose, Costa Rica, banks.

187. ***Juan Francisco Rivera Aguirre.*** In a May 1982 cable to Headquarters, Rivera was identified as FDN Chief of Logistics. A February 1983 cable reported that an FDN investigation had found

Rivera guilty of misappropriating funds. According to a March 1983 cable, Rivera had contacted Carol Prado and indicated that he would leave the FDN and travel to Miami. In May 1983, a Station reported that Rivera was alleging that the FDN was "coming apart" due to internal conflicts, cliques and lack of control by CIA.

188. A June 1983 cable indicated that Rivera moved to Miami where he became one of the leaders of the dissident Nicaraguan exile group that eventually became known as the CONDOR group. According to a December 1984 Headquarters report, Rivera was active, along with Perez, Villagra and the Cuban-American citizen, in a disinformation campaign that attempted to ferment distrust between the Honduran military leadership and the FDN in Honduras. The CONDOR group's ultimate goal was to supplant the FDN leadership with its own members.

189. ***Hugo Villagra Gutierrez.*** A November 1982 cable identified Hugo Villagra as the FDN Chief of Operations. In August 1983, he was appointed as the Tactical Field Commander of FDN Forces in Nicaragua.

190. A December 1983 cable reported that Villagra had resigned from the FDN, claiming that he was not being supported by the FDN political and military leadership. Villagra moved to Miami and, according to a June 1984 Headquarters cable, became one of the leaders of the dissident Nicaraguan exile group that eventually became known as the CONDOR group.

191. ***Other 15th of September Personalities:***
Fernando Brautigan. No information has been found to indicate that Brautigan joined the FDN after the demise of the 15th of September Legion in 1982. However, an April 1983 Central American Station cable to Headquarters concurred in his appointment as a Military Advisor to Emery Hudson's Miskito Resistance organization in Costa Rica as requested by Miskito leader Norman Campbell. Brautigan was identified as a member of the dissident Nicaraguan exile CONDOR group in a May 1986 cable to Headquarters.

192. *Felix Alcides Espinoza Rodriguez*. According to a June 1983 cable to Headquarters, Alcides Espinoza was FDN Commander of Sagitario Base in June 1982. A November 1984 cable indicated that Espinoza was senior Military Adviser to MISURA.

193. *Edwin Hoocker Coe*. No record has been found to indicate that Hoocker joined the FDN after the demise of the 15th of September Legion in 1982. However, an April 1983 Central American Station cable to Headquarters concurred in his appointment as a Military Adviser to Emery Hudson's Miskito Resistance organization in Costa Rica as requested by Miskito leader Norman Campbell. A June 1984 FBI name trace request to CIA indicated that Hoocker had recently immigrated from Nicaragua and had taken up residence in Texas.

194. **Allegations of Drug Trafficking.** In September 1981, a report to Headquarters relaying information obtained from an asset stated that the ADREN leadership had made a decision to engage in drug smuggling to the United States in order to finance its anti-Sandinista operations. Reportedly an initial trial run had taken place in July 1981 when ADREN member Alan Downs carried drugs in a suitcase on a flight to Miami. Once the drugs were delivered and paid for, Downs reportedly turned over the proceeds to Edwin Hoocker in Miami. No other information concerning Downs has been found. Reportedly the drugs belonged to an unidentified Honduran who was a native of the Bay Islands and who operated out of San Pedro Sula.

195. A May 1982 cable from the FBI to CIA stated that reportedly "Justiniano Perez is a close friend of 'Paisa' (nickname) who is a Drug Trafficker." According to the cable, Perez told Paisa that "if [Perez] received financial assistance from Paisa he would make business concessions to him when and if Nicaragua were to be liberated."

196. A February 1982 Headquarters cable, in response to a name trace request, indicated that members of the splinter group of the 15th of September Legion Group who had refused to join the

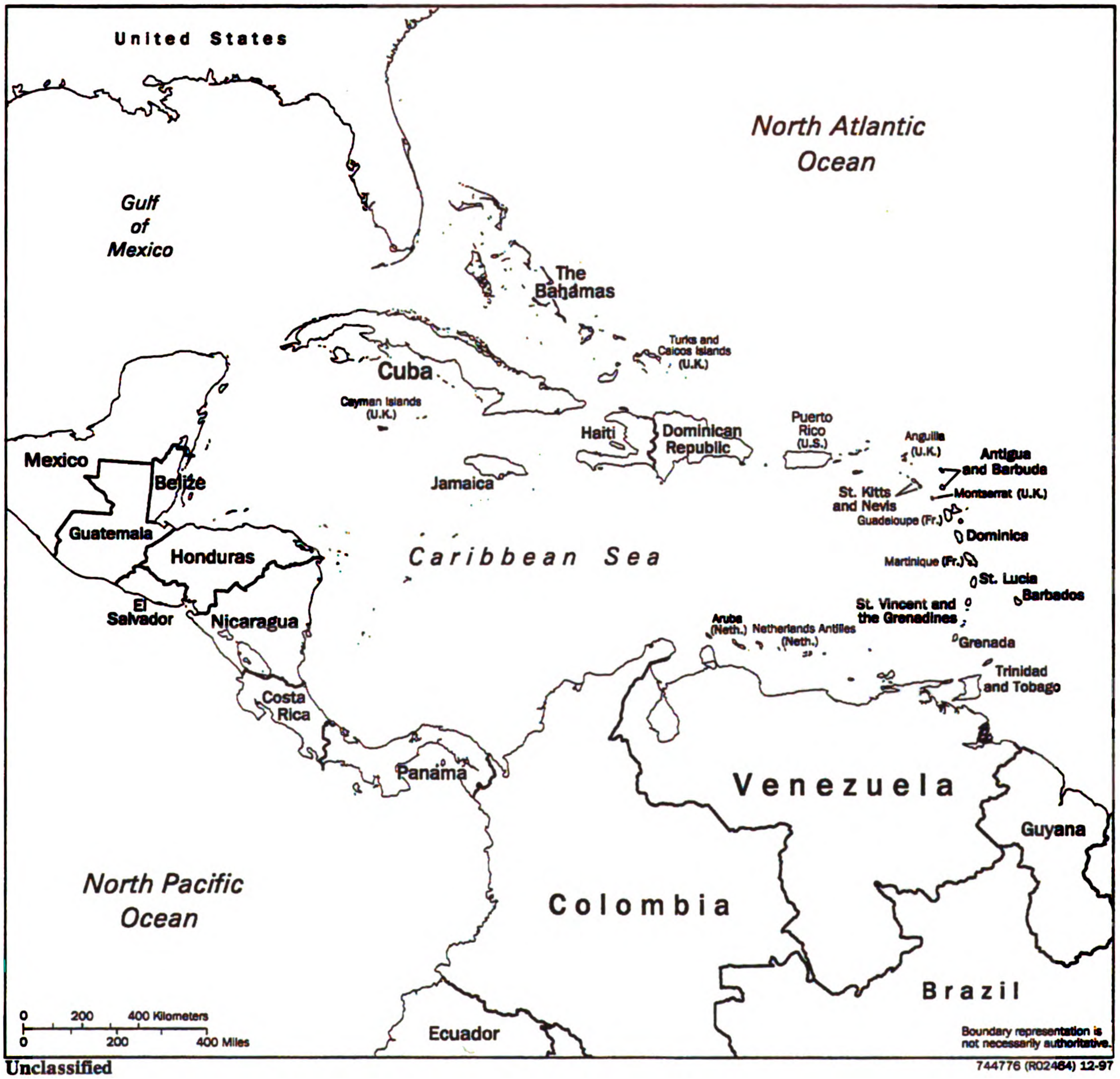
FDN were using the Legion name in conducting robberies, drug smuggling and hijacking.

197. **CIA Response To Allegations of Drug Trafficking.** No information has been found to indicate any action to follow-up or corroborate the allegations concerning ADREN/15th of September Legion drug smuggling into the United States. However, the September 1981 and February 1982 information against ADREN/15th of September Legion stemmed from a single source, and in October 1982, Headquarters issued a cable indicating that the source was thought to be untrustworthy and a possible agent of the Government of Nicaragua. A January 1982 Headquarters cable noted that an Agency asset should not meet Justiniano Perez and Francisco Rivera "who represent the 'Renegade' splinter group of the 15th of September Legion."

198. No information has been found to indicate that the Agency pursued any action to follow-up or corroborate the May 1982 FBI information concerning Justiniano Perez's alleged close friendship with a reputed drug trafficker named Paisa and Perez's alleged promise to help Paisa later in return for financial assistance. No record of any individual named Paisa has been found in CIA records.

199. **Information Sharing with Other U.S. Government Entities.** The September 1981 report that the ADREN intended to engage in drug smuggling to the United States was disseminated as an intelligence report on October 28, 1981 to the Departments of State and Treasury, FBI, U.S. Customs, Defense Intelligence Agency (DIA), and NSA. The report also was disseminated to the Ambassador and DEA representative in Tegucigalpa and to USCINC South. Several intelligence reports concerning the ADREN/15th of September Legion's criminal, non-drug trafficking, activities also were disseminated to U.S. law enforcement and intelligence community organizations between June 1981 and March 1982. No information has been found that this reporting was shared with Congress.

Central America and the Caribbean


United States
Gulf of Mexico
North Atlantic Ocean
The Bahamas
Turks and Caicos Islands (U.K.)
Cuba
Cayman Islands (U.K.)
Haiti
Dominican Republic
Puerto Rico (U.S.)
Anguilla (U.K.)
Antigua and Barbuda
St. Kitts and Nevis
Montserrat (U.K.)
Guadeloupe (Fr.)
Dominica
Martinique (Fr.)
St. Lucia
Barbados
St. Vincent and the Grenadines
Grenada
Trinidad and Tobago
Aruba (Neth.)
Netherlands Antilles (Neth.)
Jamaica
Caribbean Sea
Mexico
Belize
Guatemala
Honduras
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Nicaragua
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North Pacific Ocean
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SOUTHERN FRONT CONTRAS

WHAT DRUG TRAFFICKING ALLEGATIONS WAS CIA AWARE OF, AND WHEN, INVOLVING SOUTHERN FRONT CONTRAS? HOW DID CIA RESPOND TO THIS INFORMATION, AND HOW WAS THIS INFORMATION SHARED WITH OTHER U.S. GOVERNMENT ENTITIES?

The Southern Front Trafficking Reports

Agency Knowledge and Handling of Allegations of Southern Front Involvement in Drug Trafficking

200. **General Summary and Background.** In October 1984, CIA began receiving reporting that Southern Front ARDE leaders had agreed to assist a Miami-based drug trafficker in bringing narcotics into the United States. The information from this series of reports was furnished to senior officials of U.S. intelligence and law enforcement agencies.

201. **CIA Records.** In January 1984 Headquarters received information that indicated that helicopters purchased by Cuban-Americans on behalf of Eden Pastora's Contra organization--ARDE--were being held in a Miami warehouse owned by a businessman. A Miami-based Cuban-American was identified as the donor of the helicopters. In January a Headquarters cable noted that CIA had been advised by the FBI that Sarkis might be "subject to judicial [*sic*] investigation connected with alleged illegal activities." As a result, the Headquarters cable also advised that any Agency asset who was in contact with Sarkis be warned that "Sarkis may be involved in alleged drug trafficking."

202. In May 1984, Headquarters received a cable regarding Carol Prado, a senior ARDE official. The cable noted that there was "little to add at this time to what has already been reported [concerning] Prado's involvement in illegal drug and gun activities."

The cable noted that the Department of the Treasury, the U.S. Customs Service and the FBI were "aware of the activities of this group and are watching them closely."

203. **First Report.** In October 1984, CIA received information indicating that senior ARDE officials, including several of Pastora's close associates--Adolfo Chamorro, Carol Prado and Gerardo Duran--had established a working relationship with a Miami-based drug trafficker. An October 1984 cable to Headquarters indicated that Adolfo Chamorro--Pastora's second-in-command--had just consummated a "mutual assistance agreement" with a Miami-based narcotics trafficker whose name was not known at the time of the report. The cable reporting this information to Headquarters noted that:

> [ARDE] would provide [ARDE] operational facilities in Costa Rica and Nicaragua to facilitate the transportation of narcotics, and would obtain the assistance of Costa Rican Government officials in providing documentation, in exchange for financial support, aircraft, and pilot training for the [ARDE].

Further, the cable indicated that the unnamed Miami-based drug trafficker had:

- Turned over helicopters to ARDE and made arrangements for a C-47 to be flown to El Salvador; and
- Promised to pay ARDE $200,000 per month once the narcotics operations were underway. . . .

204. In October 1984, a cable asked Headquarters for permission to share this information with the local Department of Treasury office. The cable noted that Treasury had an ongoing investigation of suspected arms smuggling by ARDE elements in the Miami area, and that the Department had previously said that ARDE representatives "were in contact with [a Miami-based Cuban-American]. . . who is suspected of trafficking in narcotics." No information has been found to indicate a Headquarters response to

this cable. However the information was disseminated by Headquarters to a senior officer in the Department of Treasury and other senior U.S. Government, intelligence, and law enforcement officials in Washington shortly thereafter.

205. **October 1984 Sensitive Memorandum Dissemination.** In October 1984, Headquarters disseminated a Sensitive Memorandum based upon the information that had been provided in mid-October. All the information was disseminated, except that a general reference to El Salvador as the destination for the C-47 flight was substituted for the specific reference to Ilopango Air Base.

206. A "Headquarters Comment" was included in the disseminated Sensitive Memorandum that indicated it was not known "whether Pastora himself was aware of the narcotics angle of the agreement." An additional Headquarters Comment pointed out that confirmation had been received that the ARDE had recently acquired two helicopters and a DC-3 transport plane.

207. The Sensitive Memorandum was disseminated to 13 senior U.S. Government, intelligence, and law enforcement officials by position title. Within CIA, this Sensitive Memorandum was also disseminated to senior officials.

208. **Second Report.** An October 1984 cable to Headquarters reported that the name of the Miami-based drug trafficker with whom ARDE officials were dealing was Jorge Morales. The cable restated the terms of the mutual assistance agreement that had been reported in mid-October and added the following details:

- On October 31, Gerardo Duran, an ARDE pilot who was flying on Morales' behalf, was scheduled to fly from Miami to the Bahamas.

- Morales and Adolfo Chamorro were in the process of setting up "bank accounts in Miami through which to funnel the monthly payments to the ARDE once the working

> relationship between Morales and the ARDE is in full operation."

No mention was made of Pastora in this report, except to identify him as the head of the ARDE.

209. *November 5, 1984 Sensitive Memorandum Dissemination.* On November 3, 1984, a Headquarters cable stated that the information provided on October 31 was being prepared for limited dissemination. Further, the cable advised that Headquarters intended to discuss with DoJ during the week of November 5 how to proceed regarding the handling of the source of the information--presumably in light of the information the source had provided regarding alleged narcotics trafficking. The cable advised that no direct action was to be taken with regard to Pastora. The Headquarters cable noted that:

> Given the volume and the detail of the evidence we have received, it is difficult to believe that an operation of this magnitude could be conducted within the [ARDE] without [Pastora's] approval. We have been fastidious about insuring that all information is passed to appropriate agencies on a timely basis and we must avoid at all costs an accusation that [CIA] condoned narcotics trafficking by [ARDE].

210. On November 5, 1984, the information provided on October 31 was disseminated in Sensitive Memorandum format to 16 senior U.S. Government, intelligence, and law enforcement officials by position title.

211. **CIA Report to DoJ.** On November 7, 1984, CIA General Counsel Stanley Sporkin attached a cover memorandum to the October Sensitive Memorandum and forwarded it to DCI Casey. Sporkin's memorandum indicated that the information had already been shared with appropriate officials in the U.S. Government, but stated that he intended to have OGC directly contact DoJ Criminal Division Deputy Assistant Attorney General Mark Richard in order to protect "the public as well as the Agency's interests." On November 19, 1984, according to a January 15, 1985 OGC

memorandum, an OGC representative orally briefed the Assistant Attorney General for the Criminal Division regarding the information.

212. A November 26, 1984 OGC memorandum for the record (MFR) indicated that OGC and DO officers had met with DoJ, FBI and DEA representatives on November 9 and November 19 to discuss the substance and implications of the information that had been disseminated in October and November. According to the MFR, DEA reported at the November 19 meeting that Jorge Morales was awaiting trial in Miami, along with 13 other defendants, on federal charges of engaging in a Continuous Criminal Enterprise. It was agreed at that meeting, stated the MFR, that DEA would brief an Assistant United States Attorney (AUSA) in Miami about the information and that the AUSA would be asked, in turn, to discuss the matter with the Deputy Assistant Attorney General for the Criminal Division. Further, the MFR stated that the CIA representatives had agreed to make the source of the information available to be debriefed by DEA, the FBI and the AUSA.

213. **Third Report.** According to a November 1984 cable to Headquarters, Pastora, Adolfo Chamorro and Roberto Chamorro were scheduled to travel to Miami on that same day and that two ARDE pilots--including Gerardo Duran--had already arrived in Miami. The purpose of this travel was for Pastora and the two Chamorros to meet Morales. Reportedly the pilots were probably going to undertake a narcotics-related flight on behalf of Morales. The report also indicated:

- Adolfo Chamorro had established a bank account in Miami and that, to date, Morales had transferred approximately $30,000 to the ARDE.

- Morales appeared to be attempting to relocate his operations from the United States to Central America and the Bahamas.

- Morales had indicated that he occasionally met with Fidel Castro in Cuba.

According to a December 1984 cable to Headquarters, Pastora and his associates had arrived in Miami and were staying at the home of a Miami-based Cuban-American. Further, Pastora was scheduled to meet with Morales.

214. **December 1984 Sensitive Memorandum Dissemination.** In December 1984, the information reported in November was disseminated in Sensitive Memorandum format to 13 senior United States Government, intelligence, and law enforcement officials by position title.

215. A December 1984 OGC MFR by Assistant General Counsel Betty Ann Smith indicated that OGC and DO officers had met on December 6, 1984 with representatives of DEA and the United States Attorney's Office in Miami and briefed them regarding the information that had been provided in November. Further, according to the OGC MFR, the source of the information had been debriefed by a DEA agent during this same meeting.

216. According to a December 1984 cable from Headquarters, CIA and DEA agreed during the December 1984 meeting that the source would report on any further ARDE/FRS narcotics trafficking. It was also agreed that subsequent information would be shared by CIA with the DEA and the Department of Justice.

217. According to a December 1984 cable, Pastora had met with Morales, Sarkis and a Miami-based Cuban-American. Reportedly Pastora said that the meeting with Morales had not gone well. Pastora "did not like Morales' pressuring him to immediately meet [Pastora's] end of their arrangement, which is providing pilots and operational facilities in Costa Rica for Morales' drug operations." No information has been found to indicate whether this information was shared with U.S. law enforcement agencies or disseminated outside the DO.

Eden Pastora

218. **Background.** Eden Pastora Gomez, whose "war name" was Commandante Zero, joined the Sandinistas in the early 1970s to seek the overthrow of Somoza. Especially popular after he stormed Somoza's National Palace in 1978, he was nonetheless excluded in 1979 from the Sandinista National Liberation Front's (FSLN's) nine-man Directorate and given relatively minor positions in the post-Somoza Sandinista Government. These setbacks displeased Pastora, and he also claimed to be dismayed by the leftward turn of the Sandinista regime. In 1981 Pastora broke with the Sandinistas, and he went into self-imposed exile in Costa Rica shortly thereafter.

219. Pastora formed the FRS in early 1982 and allied his group with several other Contra organizations to form the Costa Rican-based ARDE in September 1982. Pastora led ARDE's military struggle against the FSLN until July 1984, when the organization's leadership replaced him. An ARDE spokesman attributed Pastora's replacement to injuries received in the May 1984 bomb attack against him at La Penca, but Pastora's leadership had also been undermined by his refusal to join forces with leaders of the Northern Front. Pastora left ARDE in 1986 and withdrew from the military effort.

220. Between early 1982 and mid-1984, Pastora was the main recipient of the funds CIA channeled to Contras fighting on the Southern Front. However, the funding allocated by Congress for the Contras had been expended by August 1984, and CIA was forced to cease its material support. More comprehensive congressional restrictions on the Agency's ability to support the Contras took effect in October 1984 and remained in place until December 1985.

221. The cutoff of U.S. funding led associates of Pastora to begin looking for alternative sources of funds. In October 1984, CIA began receiving the reporting mentioned earlier that Southern Front leaders allied with Pastora had agreed to help Miami-based trafficker Jorge Morales bring drugs into the United States in exchange for his

material and financial help to the Southern Front. A subsequent October Headquarters cable instructed those dealing with Pastora:

> . . . not to take definitive action to declare the relationship with [Pastora] terminated. Rather, we want to back away from the man leaving him guessing as to the status of his relationship with [CIA]. . . . We do not want to initiate contact with him under any circumstances, unless it is done for the purpose of manipulating him towards some objective clearly consistent with [U.S.] policy in the region.

222. The Agency's relationship with Pastora was one of its most significant with a Contra leader. While the drug trafficking allegations were a factor in the decision to terminate that relationship, the October 1984 Headquarters cable indicated that the Agency was responding to other factors as well. CIA also judged that the advantages of dealing with Pastora were outweighed by the poor performance of his Southern Front fighting forces, by counterintelligence issues arising from his contacts with the Sandinistas in Managua, and by operational restrictions imposed by Congress.

223. In November 1984, Headquarters instructed that "no direct action is to be taken with [Pastora]. Ideally, you will be able to avoid him altogether." A November reply stated that only four meetings with Pastora had occurred since July 1984 and that the last of these was on October 18. At the last meeting, it had reportedly been made clear that CIA could no longer provide any support, direct or indirect, to Pastora's organization.

224. **Allegations of Drug Trafficking.** An October 1982 cable to Headquarters reported that INS had received information indicating that a meeting of Contra members was to be held in Costa Rica to discuss an exchange in the U.S. of arms for narcotics. A November 1982 cable identified Pastora as one of those who would be attending.

225. CIA began receiving reporting in October 1984 indicating that associates of Pastora in ARDE had agreed to work with known narcotics trafficker Jorge Morales. That same month Harold

Martinez Saenz--a former deputy FRS commander--said that he could no longer support ARDE due to Pastora's ineffective leadership. Martinez had also stated that he did not want to become involved in drug and arms smuggling activities and corrupt handling of money, thus inferring that Pastora and his staff were involved in those activities.

226. Regarding the arrangement allegedly worked out with Morales by Pastora's FRS associates in 1984, Adolfo Chamorro says that Pastora was not aware of Morales' drug trafficking activities until after the meetings in October 1984 and after Pastora himself had met with Morales in December 1984. Cables in 1985 indicate that Pastora "temporarily discontinued" the arrangement with Morales in early January 1985 when he realized the potential political fallout from dealing with narcotics traffickers. Pastora says that he ordered that the planes donated by Morales be returned when he learned that Morales was a drug trafficker.

227. In April 1985, according to a Headquarters cable, the text of a February Sandinista radio broadcast from Managua alleged that Pastora and his associates were completing construction of three landing strips in the Guanacaste area of Costa Rica for light aircraft to be used for drug trafficking. The drug trafficking was being undertaken, the radio broadcast said, to substitute for the financing that was no longer available in the wake of a Congressional cutoff of Contra funding.

228. An April 1985 cable to Headquarters reported that an employee of Alpa Airlines had said that the company was concealing cocaine in yucca shipments destined for the United States. The cable reported that two of the five persons reported to be owners of Alpa were Gerardo Duran and David Mayorga.[12] Duran had already been

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[12] Agency cables from 1984 to 1986 portray David Mayorga Mairena as an active supporter of the FRS and ARDE. However, he was being referred to by February 1988 as a well-known drug trafficker and FSLN supporter who was brokering deals to sell Italian oil to the Government of Nicaragua. Mayorga was part owner and manager of the Costa Rica-based Alpa Airlines air freight company and related import and export businesses that were allegedly involved with weapons and drug smuggling activities. Mayorga was directly tied to drug trafficking by a DEA report stating that 414 pounds of cocaine hidden in a refrigerated container of produce from Costa

identified as a close associate of Pastora. In addition, one of the planes allegedly used by Alpa Airlines was reported to belong to Pastora and ARDE.

229. A December 1985 Headquarters cable stated that Adolfo Chamorro had told a Southern Opposition Bloc (BOS) member that a Panamanian, Cesar Rodriguez, was gathering drug money for Pastora. Rodriguez was identified in this cable as a narcotics trafficker who had business ties to Panamanian leader Manuel Noriega.

230. A January 1986 cable reported to Headquarters that a Costa Rican associate of Pastora reportedly said that he had 200 kilograms of cocaine he wished to use in helping to finance Pastora's Contra activities.

231. In June 1986 and July-August 1987, CIA was told of a trip to Panama by Jose Davila, Carol Prado and Pastora. During the trip, Pastora reportedly had accepted $10,000 from Cesar Rodriguez, who was described as a narcotics trafficker from Colombia.

232. **CIA Response to Allegations of Drug Trafficking.** CIA terminated its relationship with Pastora in October 1984, within two weeks of receiving the first reporting about ARDE's drug-related dealings with Morales. While other factors were involved, the drug trafficking allegations weighed in the decision.

233. A February 1986 cable requested an inter-Agency review of the information implicating David Mayorga in narcotics trafficking because he was one of Pastora's closest advisors. The same cable noted that this information "needs to be made available to those still

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Rica were seized in Miami on January 23, 1986. The container's owner reportedly told the Costa Rican Ministry of Security that the container had been leased to Mayorga. Mayorga was identified as vice president of an export company, Fruveticos, that had been under investigation by the DEA. The president of Fruveticos was Jorge Zarcovic, another co-owner of the Alpa Airlines air freight service. Agency Headquarters later noted that the cargo was addressed to Ocean Hunter of Miami, owned by Francisco Chanes Rodriguez.

bent on seeing that [Pastora] is given . . . funding." No information has been found to indicate that such a review took place.

234. On March 1986, a Station asked Headquarters for specific instructions regarding what role Pastora was to play in the Contra unification agreement. The Station outlined the drug allegations against Pastora's associates in the cable and stated that:

> . . . .
> in COS' view, a political or other kind of accommodation with [Pastora] in which [the Agency] plays a known mediating role places [the Agency] in an untenable and unjustifiable position for which, in COS' view, there can be no reasonable or acceptable explanation.
>
> . . . .
> We will work through one united command structure, built around the one which is currently in place. We [w]ill not work through the existing FRS structure because, simply put, it is too badly penetrated by Sandinistas and too many of the players have been associated with narcotics smuggling. We will be willing to incorporate members from the FRS structure into t[h]e unified structure, but only after they have been given a thorough security screening. . . .
> . . . .

235. **Information Sharing with Other U.S. Government Entities.** As explained earlier, the reporting tying Pastora and senior members of his group to drug smuggling operations into the United States was disseminated by CIA to a broad range of senior USG intelligence and law enforcement officials.

236. OCA files indicate that the Agency forwarded to Steven Berry, Associate Counsel of the House Permanent Select Committee on Intelligence (HPSCI), on January 29, 1985, a response to a question regarding Pastora's possible consummation of a working arrangement with Colombian drug dealers. The Agency response noted that all relevant details had been reported in the program summaries to HPSCI. The response added that:

> To summarize, . . . intelligence reporting indicates that members of Pastora's organization (FRS) have agreed--either with Pastora's direct knowledge or tacit approval--to provide pilots and landing strips inside Costa Rica and Nicaragua to a Miami-based Colombian drug dealer in exchange for financial and material support. Information pertaining to Pastora's involvement in drug trafficking has been forwarded to the appropriate Enforcement Agencies. [*sic*]

237. On August 1, 1986, CATF legal officer Louis Dupart forwarded to CATF Chief Fiers, LA Division Chief and LA Division Deputy Chief a MFR for a meeting with HPSCI Staffer Mike O'Neil held on July 9, 1986 in CATF Chief's office at O'Neil's request to discuss another topic. The memorandum stated that, in response to other questions from O'Neil, Chief/CATF said that Pastora had voluntarily renounced his role as a resistance leader.

238. On April 25, 1986, Headquarters authorized the sharing with DEA of documents that described the October 1984 agreement between ARDE officials and Morales. DEA reportedly planned to use the documents as background information prior to debriefing Adolfo Chamorro in Miami.

239. In July 1987, a Station reported to Headquarters that, unless advised otherwise, the Station intended to provide the local DEA office with a message from Octaviano Cesar. The message indicated that Marcos Aguado wanted to contact the CIA to provide specific information that tied Eden Pastora to "past drug trafficking."

240. On July 31, 1987, CATF Chief Alan Fiers testified to the Senate Select Committee on Intelligence (SSCI) concerning the allegations that Morales had made in testimony at the Kerry Subcommittee of the Senate Foreign Relations Committee (SFRC) regarding Contra involvement in narcotics trafficking. Fiers discussed what CIA knew about drug trafficking allegations concerning Pastora and a number of former FRS/ARDE members. Fiers stated that the Agency did not have knowledge that Pastora was directly involved in the Morales narcotics deal, but also said:

> We have a significant body of evidence with regard to involvement of the former members of ARDE in the Southern Front--Pastora's people being directly involved in cocaine trafficking to the United States . . . .

241. In addition, according to SSCI transcripts, Fiers used one of his biweekly meetings with the SSCI to share information with that Committee regarding allegations that Southern Front personnel were involved in narcotics trafficking. On October 14, 1987, Fiers stated to the SSCI regarding Pastora's plans to return to Nicaragua:

> We frankly don't very much care what [Pastora] does right now. We don't think it would be a terrible problem for us. You must always remember that the Sandinistas know what we know. This guy is a cocaine runner. Period. He ran cocaine. And they know that and we know that and they don't want him back. He's a hot potato for anybody.

242. A January 4, 1988 MFR drafted by Robert Buckman, OCA, indicated that CATF provided a summary briefing on the Nicaraguan program for SSCI on the same date. At that briefing, Senator Bill Bradley inquired about allegations of drug trafficking, and Fiers responded that "Pastora had been involved with a Colombian trafficker, but the FDN was clean."

Adolfo Jose Chamorro

243. **Background.** Adolfo Jose Chamorro Cesar, also known as "Popo," is a Nicaraguan citizen currently residing in Managua. He had U.S. Permanent Resident Alien (PRA) status from 1983 until 1990, when he became the Nicaraguan Consul General in Miami. He is the nephew of Violetta Chamorro, the first elected president of Nicaragua after the Sandinista regime, and the uncle of Roberto "Tito" Chamorro, another Contra figure.

244. Adolfo Chamorro fought in the revolution to overthrow Somoza. Following Somoza's ouster in 1979, he served as an official of the FSLN. Chamorro's tenure as a government minister was short-lived, however, due to his arrest in 1981 in connection with a counter-revolutionary plot against the Sandinista Government. He then went into exile in Costa Rica. There he joined forces with Eden Pastora, his former FSLN commander, and the anti-Sandinista organization ARDE. In June 1983, Chamorro became the chief of military intelligence for ARDE.

245. In the summer of 1984, Eden Pastora left the ARDE and reorganized the FRS. Chamorro followed Pastora and became the FRS Deputy Military Commander. In October, Chamorro traveled to Miami to raise funds to support the FRS/ARDE coalition. In October 1984, Chamorro's name was linked with possible drug trafficking. On July 26, 1985, Chamorro broke with Pastora and the FRS and aligned himself with the newly formed BOS.

246. **Allegations of Drug Trafficking.** The Southern Front trafficking reports that began to be received in October 1984 stated that Adolfo Chamorro had been instrumental in making the arrangement for drug trafficker Jorge Morales to supply monetary support and aircraft in exchange for the use of FRS pilots. Chamorro reportedly set up a bank account in Miami through which money from Morales could be transferred to FRS/ARDE.

247. The reporting indicated that Chamorro and Morales had met again on October 30 to discuss their concerns about who within the Contras might have informed CIA about one of the aircraft that Morales had provided. Another meeting between Chamorro and Morales was reportedly planned for late November, this time to include Pastora. Chamorro says he was present at that meeting and that no conditions were attached to Morales' offer of support to the Contra cause.

248. In January 1986 cables noted that Chamorro had a relationship with Gerardo Duran, an FRS pilot who was arrested in Costa Rica for smuggling cocaine. Although no direct connection could be made between Duran's smuggling activities and Chamorro, the relationship between the two men had been noted with interest by a Central American Station and the local DEA office.

249. In October 1990, after the Contra war had concluded, the *Miami Herald* and *El Nuevo Herald* carried front-page articles charging that Chamorro, who was then serving as the Nicaraguan Consul General in Miami, had trafficked in narcotics from 1984 to 1986. The article stated that a Colombian pilot had testified during the trial of a Medellin drug lord that he had flown arms to Contra forces in Central America and cocaine shipments to Florida and that Chamorro was part of this arms/drugs network.

250. Chamorro characterizes his meetings with Morales in late 1984 as appropriate since he was the director of logistics for FRS/ARDE. He maintains that the purpose of the meetings was to discuss support to FRS/ARDE and that neither he nor anyone in FRS/ARDE knew at that time of any drug trafficking allegations against Morales. Chamorro states that FRS/ARDE contact with Morales was terminated when the drug allegations became known. Chamorro says that none of the members of FRS/ARDE were involved in drug trafficking and they never knowingly accepted drug money. While Chamorro admits to having met Duran on several occasions, he states that he was not aware of any agreement between Duran and Morales. He explains, however, that Duran may have made his own deal with Morales to ship drugs.

251. **CIA Response to Allegations of Drug Trafficking.** By September 1986, Chamorro was one of the five BOS directorate officers. CIA was no longer opposing BOS and was providing support. A September 1986 cable to Headquarters had noted a suggestion made to BOS leader Alfredo Cesar that Chamorro should be interviewed by CIA Security because of his alleged involvement with drug trafficking. In January 1987, Headquarters instructed that it was to be emphasized to Cesar that U.S. Government funds could not be used to support Chamorro until the allegations against him were resolved.

252. Chamorro thereafter agreed to be interviewed by CIA Security. Based on the results of that interview, CIA Security was led to believe it was highly probable that Chamorro was involved in drug trafficking. A February 1987 cable reported that BOS had accepted Chamorro's resignation and removed him from the BOS payroll.

253. **Information Sharing with Other U.S. Government Entities.** As explained earlier, the 1984 Southern Front trafficking reporting was disseminated by CIA to a broad range of senior U.S. Government intelligence and law enforcement officials. The reporting noted that Chamorro had reached an agreement with a Miami-based drug trafficker to provide FRS facilities to transport narcotics in exchange for financial support, aircraft and pilot training, named the narcotics trafficker with whom Chamorro had struck the deal as Jorge Morales, and stated that another meeting was planned between Morales, Chamorro and Pastora.

254. In January 1986, Chamorro was scheduled to travel to Washington, D.C., as part of a BOS delegation lobbying for support for the Contra movement. CIA Headquarters stated in a January 1986 cable that it was "attempting to highlight [Chamorro's] known involvement in drug activities to convince appropriate parties to forego meetings with BOS in [Washington]." On January 22, 1986, Acting DCI John McMahon sent letters to the Chairmen of the SSCI and HPSCI informing them that Chamorro would be visiting

members of Congress during that week. McMahon wrote, "While I would not normally comment on visitors to Congress, I believe it essential that I provide you with some highly derogatory information on Chamorro . . . . Our information indicates that Chamorro . . . has been involved in drug smuggling to the United States." The letter went on to detail Chamorro's association with Jorge Morales. In addition, it gave information about other contacts Chamorro had with suspected drug traffickers and offered a briefing concerning Chamorro's activities.

255. On January 24, 1986, a Central American Station informed Headquarters that it had discussed Chamorro several times with local DEA officers. The January 8, 1986 arrest of FRS pilot Gerardo Duran on drug charges in Costa Rica, explained the cable, made Chamorro's connection with Duran highly suspect. The Station stated that it had informed DEA of its interest in what Duran might have to say about that relationship when DEA questioned him after his release, which was "expected momentarily due to lack of Costa Rican willingness to prosecute."

256. On January 6, 1986, the SSCI requested Agency comments regarding a December 27, 1985 article in *The Washington Post* alleging a link between the Contras and drug trafficking. The information from the 1984 reporting about Chamorro and his dealings with Morales was included in CIA's January 13, 1986 reply.

257. On April 25, 1986, a Station requested that DEA officials be alerted that Chamorro was due to arrive at Miami Airport after being arrested and expelled for illegally entering Costa Rica. The Station suggested that DEA officers in Miami might want to question Chamorro about possible drug trafficking. According to an April 1986 cable to Headquarters, Chamorro had been interviewed by DEA in Miami on April 25 and named others whom he alleged to be trafficking in narcotics, but did not incriminate himself. DEA chose to maintain contact with Chamorro, but a July 1986 Headquarters cable declined CIA participation, asking only that DEA keep the Agency informed.

258. On April 15, 1986, a Memorandum entitled "Contra Involvement in Drug Trafficking" was prepared by CIA in response to a request from then-Vice President Bush. This Memorandum, which was delivered to Bush by a CIA officer on April 15, 1986, was a summary of the 1984 Southern Front trafficking reporting concerning Chamorro's and Pastora's contacts with Jorge Morales. The CIA analyst who drafted the Memorandum says that there was no request for follow-up regarding the reporting that was summarized in the Memorandum. The analyst also says she was aware of no further mention of the Contras' involvement in drug trafficking in Agency intelligence disseminations until early 1987.

259. On January 21, 1987, ADCI Robert Gates provided Morton Abramowitz, Assistant Secretary of State for the Bureau of Intelligence and Research, with a Memorandum that had been prepared by CIA to address all allegations then known to CIA regarding alleged Contra/drug trafficking connections. The Memorandum included the information from 1984 regarding Chamorro and his connections to Morales. DoS responded on February 9, 1987 by demanding that Chamorro be removed from BOS membership, stating that "the law specifically directs that no funds are to be distributed to or through any resistance group that retains in its ranks any individual who has been found to engage in drug smuggling." CATF Chief Fiers replied to DoS, in an undated Memorandum, that CIA had taken immediate steps on learning of Chamorro's affiliation with BOS to have Chamorro removed as a member or affiliate of BOS. Fiers' Memorandum went on to say that CIA believed it was highly probable that Chamorro was involved in drug trafficking, and that all relevant information known to CIA had been shared with DEA and the FBI.

260. On March 10, 1987, CATF provided CIA's OGC with two cables from February 1987 and March 1987, concerning Chamorro's "suspicious activities." These activities reportedly included dealing in stolen electronic equipment and allegedly warning his employees to inspect all incoming packages for drugs because he thought the FBI was watching him. CATF recommended on a routing sheet attached to the cables that OGC "report this information to the

Department of Justice." A handwritten, but unsigned, note attached to the cables stated that the drug-related information was "probably reportable but does [Chamorro] have a direct role in the activity--he hasn't admitted to involvement." No information has been found to indicate how or whether this question was resolved. As explained in further detail below, this information was not reported to DoJ by OGC until January 1988.

261. On March 5, 1987, according to an OCA Memorandum for the Record written by Robert Buckman, CATF Chief Fiers briefed the SSCI on the situation in Nicaragua. Fiers told the Committee that CIA believed it was highly probable that Adolfo Chamorro was involved in drug trafficking and that BOS risked losing its U.S. aid "if it did not fully sever its ties with Chamorro."

262. On July 31, 1987, CATF Chief Fiers testified before the SSCI and stated that CIA had "unimpeachable" information that Chamorro had planned to meet Morales in November 1984.

263. On January 5, 1988, CIA General Counsel David Doherty sent a letter to William Weld, Assistant Attorney General for DoJ's Criminal Division, informing him that the Agency was forwarding information concerning Adolfo Chamorro in accordance with Section 1.7(a) of Executive Order 12333. The letter stated that Chamorro might be involved in smuggling drugs into the United States and that the Agency had information that Chamorro might have been involved in the sale of stolen electronic merchandise in Miami. The letter went on to say that "although this non-employee crime is not required to be reported, . . ." the Agency thought it sufficiently serious to share the information with DoJ. The General Counsel's letter was brought to the attention of the Iran-Contra Independent Counsel and DEA by Associate Attorney General Stephen S. Trott as an enclosure to a March 17, 1988 letter to Associate Independent Counsel Guy Struve.

Roberto Jose Chamorro

264. **Background.** Roberto "Tito" Jose Chamorro, a nephew of both former Nicaraguan President Violetta Chamorro and prominent Contra leader Adolfo Chamorro, was a Contra commander associated with the Southern Front forces. CIA records indicate that Roberto Chamorro first came to the attention of the Agency in 1984 when he was FRS Chief of Operations under Pastora's command. As of mid-1985, Chamorro reportedly was one of the FRS commanders who favored unification with other member groups in the anti-Sandinista forces. However, he reportedly believed that Pastora would have to be removed from military command for this to occur. By August 28, 1986, Chamorro had aligned himself with Alfredo Cesar's BOS organization.

265. According to a March 1, 1989 Department of Defense (DoD) cable, Roberto Chamorro "retired from the fight" in 1986 after learning that he would not be a commander in UNO.

266. **Allegations of Drug Trafficking.** The October and November 1984 reporting indicated that Roberto Chamorro--along with Adolfo Chamorro and Eden Pastora--would be attending a late November meeting with indicted drug trafficker Jorge Morales. No information has been found to indicate that Roberto Chamorro was actually present when the meeting took place in December 1984.

267. In August 1985, Headquarters requested immediate "talking points" regarding U.S. objectives in Nicaragua. Included in the undated response were allegations of narcotics trafficking by some members of the FRS. This included Roberto Chamorro, but no details were provided to substantiate the allegation against him.

268. In April 1987, a cable informed Headquarters of information from a DoS Embassy officer who reportedly had heard from a contact that Chamorro was part of a group involved in shipping cocaine from Nicaragua via Costa Rica to the United States.

The cable reported that it had no way to evaluate the authenticity of the information.

269. In July 1987, Jorge Morales testified before the SFRC Subcommittee on Terrorism, Narcotics and International Operations that he had met Roberto Chamorro in Costa Rica in 1984. He said he had asked Chamorro to supply him with bodyguards, but the bodyguards were never provided. When asked whether he had discussed drug trafficking while in Costa Rica, Morales replied affirmatively. However, he did not identify Roberto Chamorro as one of those with whom he reportedly had such discussions.

270. **CIA Responses to Allegations of Drug Trafficking.** In August 1986, Chamorro was interviewed by CIA Security. On the basis of that interview, CIA Security did not have concerns about Chamorro's possible involvement in drug trafficking. Based on subsequent security interviews in January 1987, Security continued to not have concerns about Chamorro and drug trafficking.

271. **Information Sharing with Other U.S. Government Entities.** As explained earlier, the 1984 Southern Front trafficking reporting included Robert Chamorro among those meeting with drug trafficker Morales. This information was disseminated by CIA to a broad range of senior U.S. Government intelligence and law enforcement officials.

272. On July 31, 1987, CATF Chief Fiers testified before the SSCI that CIA had a "brief period of contact" with Roberto Chamorro, the purpose of which was "damage limitation." Fiers further stated that the Agency was aware of Chamorro's "checkered background" but opted to "take that tack [of having contact with him] to limit [Chamorro's] potential to do damage" to the unification process.

273. A July 1987 cable to Headquarters indicated that senior ARDE/FRS pilot Marcos Aguado wished to discuss alleged drug trafficking within Pastora's group because Morales had reportedly implicated Aguado and Roberto Chamorro. The Station reported

that it was not going to meet with Aguado due to counterintelligence concerns but had shared this information with the local DEA office.

Marcos Antonio Aguado

274. **Background.** Marcos Aguado was a Sandinista Air Force pilot (1979-1980) and then an Aeronica Airlines commercial pilot until his defection in 1983 when he joined the Contra resistance. By September 1984, he was appointed Chief of Air Operations for the FRS/ARDE and was a personal pilot to FRS/ARDE leader Eden Pastora. Aguado made numerous flights over Nicaragua to supply FRS/ARDE troops and later was named Chief of Staff of the FRS/ARDE General Staff. Aguado, according to Eden Pastora, is also Pastora's son-in-law. According to an April 1983 Headquarters cable, Aguado had been offered a job flying an aircraft for the Southern Front.

275. A December 1984 cable advised:

> . . . .
>
> . . . [Aguado] actively assisted [two individuals], Duran and Carol Prado in disruption of ARDE/MDN flight activities, and according to [another asset] was being sent to Ilopango to destroy the Islander aircraft, circa July 84. In addition, [Aguado] assisted in the [Pastora] [sic] search for the Cessna 310 that crashed 9 August on [Hull's] property, and the search for the pilot and helicopter stolen from [Pastora]. During this period, hostile threats against [CIA], [John Hull] and the former [Southern Front] pilot were noted.
>
> . . . .

The cable also pointed out that Aguado had not flown any missions inside Nicaragua since September 1983. The cable also noted that Aguado "is closely associated with" Pastora, Adolfo Chamorro and Duran; "as such he may very well be actively participating in alleged narcotics activities . . . or at least aware of such activities."

276. According to a December 1984 cable to Headquarters, Aguado "has been designated by Pastora as one of his 18 commandantes, to be in charge of air operations and logistics at Ilopango."

277. **Allegations of Drug Trafficking.** The first indications to CIA of Aguado's possible involvement in drug trafficking were included in the October 1984 Southern Front trafficking information that:

> 1. During a mid-October 1984 visit to Miami, Florida, Sandino Revolutionary Front (FRS) official Adolfo "Popo" Chamorro, reached an agreement with an unidentified Cuban narcotics trafficker whereby the FRS will provide operational facilities in Costa Rica and Nicaragua plus assistance with Costa Rican government officials in obtaining documentation in exchange for financial support, aircraft and pilot training for the FRS. The Cuban . . . made arrangements for a C-47 to be flown from Haiti to El Salvador by FRS pilot Marco [*sic*] Antonio Aguado Arguello on 16 October 84.
>
> 2. The agreement with the Cuban also includes the training of two FRS pilots in Miami. The pilots will continue their FRS duties after the training but will also serve the traffickers by flying narcotics from South America to the FRS provided landing fields in Costa Rica and Nicaragua. From these staging areas the narcotics will be moved to the U.S.
>
> . . . .

In April 1985, a Station reported to Headquarters that Aguado had used a DC-3—the civilian designation for a C-47—to deliver supplies to FRS/ARDE forces in southern Nicaragua on March 29, 1985.

278. A January 1986 cable stated that:

> [Marcos Aguado] should have knowledge of the recent arrest of Gerardo Duran Ayanegui regarding his alleged involvement in a shipment of 600 kilo[gram]s of cocaine from Jorge Morales (Colombian Mafia) to the U.S. Duran and Morales are closely associated with [Eden Pastora], [Aguado], Carol Prado, David Mayorga, . . . and others, all of whom, including [Aguado], are listed in Duran's phone book. Morales supplied [Pastora] with a C-47 aircraft and other air support; [Aguado] has piloted the C-47 for [Pastora] and is believed to maintain close contact with the above personnel.

279. The next Agency reporting of a drug-related allegation against Aguado came in an April 1986 cable to Headquarters. According to that cable, Adolfo Chamorro "plans to denounce Carol Prado, Eden Pastora and Marco [*sic*] Aguado as being the ones involved in drug-trafficking activities. Chamorro claims to have the evidence to prove this allegation." Headquarters was informed in an April 1986 cable that DEA had debriefed Chamorro on April 25, 1986 and obtained no information concerning narcotics trafficking. According to the cable, "all Chamorro wanted to talk about were politics and war."

280. In April 1987, a Station relayed to Headquarters information provided by a U.S. Embassy officer. The Embassy officer reported being told by a contact that Aguado, along with Carol Prado, David Mayorga, Adolfo Chamorro, Gerardo Duran, and another individual "are presently involved in shipping cocaine from Nicaragua via Costa Rica to the United States."

281. In March 1988, a cable reported to Headquarters that a suspected Guatemalan drug trafficker--Reyner Veliz Cruz--had recently been traveling with Aguado and described Veliz and Aguado as "new inseparable friends." Although not specifically alleging drug trafficking, the cable reported that Veliz, with co-pilot Aguado, arrived at Ilopango air base from Guatemala in February 1988, in a twin engine aircraft. The cable also reported that the two arrived at Ilopango from Pavas in another twin engine aircraft later in February 1988. Finally, the cable reported that Veliz and Aguado arrived at Ilopango in March 1988 in the same twin engine aircraft after customs officials had departed and the airfield was supposedly closed. The same cable noted that Aguado could not obtain a U.S. visa due to his suspected links in the past with drug traffickers. However, Aguado reportedly "has bragged that he still works for CIA" and "the customs personnel at Ilopango assume that Aguado has connections with drug trafficking, as well as good contacts within the Salvadoran Air Force . . . ." In this cable, the Station stated its approval to share the information with DEA personnel in Guatemala.

282. Enrique Miranda Jaime, a convicted drug trafficker, claims that Aguado flew weapons to Medellin, Colombia, during the 1980s and returned with cocaine that he stored at Ilopango. Miranda also alleges that Aguado was involved with Norwin Meneses and the movement of narcotics through Nicaragua. No information has been found to support Miranda's allegations.

283. **CIA Response to Allegations of Drug Trafficking.** No information has been found to indicate that CIA ever attempted to develop additional independent information that would confirm or refute the allegations against Aguado. No information has been found to indicate whether CIA considered, or the reasons why they may have decided not to take, such steps.

284. **Information Sharing with Other U.S. Government Entities.** The October 1984 reporting included information about Aguado's alleged role in moving a C-47 from Haiti to El Salvador. This information was disseminated as a sensitive memorandum to senior U.S. Government intelligence and law enforcement officials.

285. According to a SSCI transcript entitled *CIA Briefing on Drug Running,* CATF Chief Alan Fiers, briefed SSCI Staff members on July 31, 1987 concerning allegations of Contra involvement in drug trafficking. The transcript shows that Fiers included information relating to Aguado in this briefing and described Aguado's alleged involvement in the October 1984 Morales-Chamorro agreement.

286. The transcript shows that Fiers also detailed for the SSCI Staff members Aguado's role in taking possession in Haiti of the C-47 aircraft provided by Morales that was later used by Aguado in March 1985 to deliver supplies to ARDE forces. In the briefing, Fiers also provided the SSCI Staff members with a summary of information concerning four or five flights by Gerardo Duran to Miami on behalf of Morales.

Gerardo Duran

287. **Background.** Gerardo Duran was a Costa Rican national who had close ties to Southern Front Contra personalities, including Eden Pastora, Carol Prado, Adolfo Chamorro, Jose Robelo, and Marcos Aguado. He served as a personal pilot for Pastora from 1984 until sometime in early 1985. He was employed as chief pilot for the Costa Rican-based aviation company, Alpa Aerolineas del Pacifico Fumigacions (Alpa Airlines), between 1985 and 1986.

288. **Allegations of Drug Trafficking.** CIA first received allegations of Duran's possible involvement in drug trafficking in the October 1984 Southern Front trafficking report. That report included information that Duran was scheduled to make a flight for Jorge Morales in October 1984 from Miami to the Bahamas.

289. In November 1984, a cable informed Headquarters that Duran and another pilot were in Miami. According to the cable, the presence of Duran indicated a flight to move narcotics from Colombia to the Bahamas was imminent.

290. In December 1984, a cable advised Headquarters of allegations that Duran had recently returned to Costa Rica, had access to a Cessna 404 Titan aircraft and appeared to be involved in drug trafficking.

291. A February 1985 cable to Headquarters reported a possible connection between Duran and Pedro Portu, who "has a well-known background in narcotics trafficking." In February 1985, a Station reported to Headquarters that, according to "Popo" Chamorro, Duran was aboard an FRS Baron aircraft that had crashed in the Pacific Ocean while transporting an aircraft generator from Pavas airfield in Costa Rica to Ilopango air base in El Salvador. According to the cable, Marcos Aguado "believes that Duran was on another type of mission, possibly drug related."

292. A March 1985 cable to Headquarters reported that "both [Adolfo] Chamorro and Geraldo [*sic*] Duran have accompanied [Jorge] Morales to the Bahamas to look over his operations." The cable noted that a belief "that Duran and Quesada [*sic*] travelled to the Bahamas from Miami and made flights for Morales."

293. In March 1985, a cable noted that Duran had been suspected of making drug running flights to Miami and the Bahamas. Further, the cable stated that the "local [DEA] rep[resentative] reported that Duran is on their records as a trafficker and also for involvement in running Cubans into Mexico."

294. An April 1985 cable to Headquarters reported that Marcos Aguado had said that "Duran is suspected of being involved in drug trafficking . . . ." The cable did not, however, state why Duran was suspected of drug trafficking.

295. An April 1985 cable listed several names and noted that the majority of the reporting available to CIA concerning the listed persons, including Duran, had to do with alleged connections to narcotics trafficking. Also in April 1985, a cable to Headquarters reported that an employee of Alpa Airlines suspected that the company was transporting cocaine to the United States in yucca shipments and noting that Duran was the "chief pilot" for Alpa Airlines.

296. In May 1985, a Station sent a cable to Headquarters that summarized reporting from two sources regarding the involvement of FRS personnel in narcotics trafficking. It noted that, although there was "a lack of hard evidence," Duran was one of "the two individuals consistently named by both sources" as being involved in narcotics trafficking.

297. A May 1985 cable to Headquarters noted that, according to a contact, "Duran was on a drug flight when he ditched the Baron . . . in the Pacific [Ocean]." This was an apparent reference to the crash of an FRS-owned Baron aircraft while en route from Costa Rica

to Ilopango air base in El Salvador that was described in a February 1985 cable.

298. A July 1985 cable to Headquarters noted suspicions that Alpa "is being used as a front for narcotics operations," and that reportedly on June 8 David Mayorga had said that:

> ... the 150 kilograms of cocaine that were captured near Barra Del Colorado, Costa Rica . . . in a Cessna Citation . . . were destined for Frudaticos to be packed into yucca for delivery to the U.S.

The cable also reported that there were suspicions "that Sergio Sarcovik and [Carlos] Vikes arranged for the pilots of this aircraft to leave the country, probably in the Cessna 206 . . . with Gerardo Duran as the pilot."

299. In January 1986, Duran was arrested by the Costa Rican Office of Judicial Investigation (OIJ) for his alleged involvement in cocaine trafficking. His arrest was the focus of a number of cables. A January 1986 cable advised Headquarters that:

> [Marcos Aguado] should have knowledge of the recent arrest of Gerardo Duran Ananegui regarding his alleged involvement in a shipment of 600 kilo[gram]s of cocaine from Jorge Morales (Colombian Mafia) to the U.S.

300. In January 1986, Headquarters sent a cable asking for a query to be made to the local DEA offices for information they might have linking Gerardo Duran, "Popo" Chamorro, Jorge Morales, and David Mayorga to narcotics trafficking. A January 1986 cable to Headquarters stated:

> . . . Gerardo Duran, who is presently in jail after witnesses put him at the scene of a 600 kilo[gram] coke deal in Guanacaste, is Costa Rican, not Nicaraguan. We have reported on his recent arrest.

301. In January 1986, Headquarters sent a cable that stated:

> Please provide whatever details are available . . . on ref[erenced] arrest of Gerardo Duran for alleged involvement in smuggling of

> 600 kilo[gram]s of cocaine to the United States. FYI: [w]e reported [Chamorro's] involvement in drug smuggling to Co[n]gress via [DCI] letter to Intelligence Committee Chairmen. Letter included reference to Duran arrest and we would appreciate details in event there is follow up inquiry from Congress.[13]

302. In January 1986, a cable to Headquarters noted obtaining from DEA a copy of the OIJ report of Duran's arrest and provided information based on that report. The cable stated that Duran was arrested on January 8, 1986 and had admitted to loading "bundles"—the cable did not specify that the bundles included narcotics—onto an aircraft at Tamarindo airport in Guanacaste Province in December 1985. The cable stated further:

> [OIJ] is still holding Duran but the decision to try him is pending. [Headquarters] will recall that [Manuel "Pillique"] Guerra and [Pastora] are quite close. In any event, [DEA] is certain they can get an indictment of Duran in Miami and they are pursuing that goal.

303. A cable to Headquarters in March 1986 stated:

> Gerardo Duran, a [Pastora] pilot who [DEA] says was introduced to major narcotics trafficker Jorge Morales by [Pastora], is known by [DEA] to have participated in the air shipment of several hundred kilo[gram]s of cocaine from Liberia (Costa Rica) airport to the West Indies for onward shipment to the U.S. Duran himself was arrested by Costa Rican authorities for in-country possession of seven kilo[gram]s of cocaine and [DEA] is pursuing that case . . . and with the U.S. attorney.

304. According to an April 1987 cable, the Costa Rican press reported that "Duran was re-arrested this last week as a suspect in having helped transport 450 kilo[gram]s of cocaine through Costa Rica." The cable did not specify the destination of the cocaine. According to the cable, Duran was "first arrested in December 1985 with the same charge, but skipped bail." The cable also noted that Costa Rican "authorities suspect Duran of having ties with a

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[13] The letter was actually signed by Acting DCI McMahon.

smuggling ring which has used numerous airstrips in Guanacaste Province (Costa Rica) for clandestine drug flights."

305. **CIA Response to Allegations of Drug Trafficking.** In May 1985, a cable advised Headquarters that "the Station is attempting to gather solid evidence . . . to confirm alleged weapons and/or narcotics trafficking by Duran and his [Contra] associates." The cable also suggested that:

> It would be useful if future messages regarding alleged narcotics/weapons trafficking indicate approval of passage to [DEA], or whether the data is already shared with [DEA] office.

No information has been found to indicate that Headquarters responded to this suggestion.

306. In January 1986, Headquarters sent a cable asking Stations to "query local [DEA] offices for information they may have linking the following [including Duran] to involvement in narcotics trafficking." A Station responded in January 1986, saying:

> [DEA] is aware of our interest in what Duran has to say about [Eden Pastora] and [Popo Chamorro] involvement in trafficking and will question him again after he is released. His release is expected momentarily due to lack of Costa Rican willingness to prosecute. However, [DEA] plans to prosecute him under a . . . law dealing with international trafficking; they think they can make the case stick, whereas [the Costa Ricans do] not.

A January 1986 response from another Station stated:

> [DEA] records indicate that Gerardo Albert [*sic*] Duran Ayaneque, [*sic*] . . . was arrested for cocaine smuggling in January 1986. He had previously been suspected of smuggling drugs via aircraft in September 1985 . . . . Additional information on Duran is available to [DEA]/Miami case agent. If desired, please advise.

No information has been found to indicate any response by Headquarters to the cable.

307. **Information Sharing with Other U.S. Government Entities.** As explained earlier, the 1984-85 reporting that included information about Duran's alleged participation in the Morales-ARDE narcotics trafficking discussions was disseminated to a broad range of senior U.S. Government intelligence and law enforcement officials.

308. A January 24, 1986 letter from ADCI John McMahon notified the SSCI and HPSCI that CIA had information concerning Adolfo Chamorro's involvement in narcotics smuggling. The letter reported Duran's arrest in Costa Rica for his alleged involvement "in a shipment of 600 kilo[gram]s of cocaine from [Jorge] Morales to the U.S." This letter was followed by a Headquarters cable requesting:

> . . . whatever details are available to Station on ref[erenced] arrest of Gerardo Duran for alleged involvement in smuggling of 600 kilo[gram]s of cocaine to the United States. FYI: [w]e reported [Popo Chamorro's] involvement in drug smuggling to . . . Intelligence Committee Chairmen. Letter included reference to Duran arrest and we would appreciate details in event there is follow up inquiry from Congress.

As mentioned earlier, the Station responded in January 1986 with a cable providing Headquarters with details regarding Duran's arrest.

309. An April 1986 CATF cable included detailed information concerning the 1984 arrangements between Chamorro and Morales. The cable also detailed Duran's 1986 arrest in Costa Rica as background material for an interview of Chamorro and authorized sharing the information with the local DEA office.

310. On January 21, 1987, ADCI Robert Gates forwarded to Ambassador Morton Abramowitz, Assistant Secretary of State for Intelligence and Research, a memorandum that discussed allegations in CIA's possession regarding connections between drug traffickers and members of the Contras. This memorandum included Duran's connection with Morales, as well as his arrest in January 1986 "by Costa Rican authorities for his alleged involvement in transporting 600 kilo[gram]s of cocaine to the United States for Jorge Morales."

311. On November 2, 1988, DEA sent a request to CIA for any information in CIA's possession concerning four people, one of whom was Duran. On December 14, 1988, CIA responded that it had no relevant information that had not been provided previously to DEA.

Alfonso Robelo

312. **Background.** Alfonso Robelo was active in Nicaraguan politics for over 30 years. He was an original member of a five-person ruling junta of the Sandinista Government, a Southern Front Contra political leader and later Ambassador to Costa Rica during the presidency of Violetta Chamorro. Robelo's opposition to the Sandinistas crystallized in mid-1980 when he resigned his position on the Sandinista Council of State to protest the Council's expansion and addition of FSLN members. By early 1982, Robelo--along with Eden Pastora and Brooklyn Rivera--formed ARDE.

313. **Allegations of Drug Trafficking.** An October 1984 cable to Headquarters reported that a Sandinista newspaper, *El Nuevo Diaro,* had stated on October 10, 1984 that Robelo and ARDE had accepted help from an unidentified drug trafficker in Miami. The article also said that two FRS/ARDE helicopters had been painted with a black substance to make them invisible to radar.

314. In June 1987, CIA learned that Robelo had been contacted by two Bolivians--Enrique Crespou and Fernando Perou--who had offered to make a "significant" monetary contribution to the Contras. Robelo said that they offered $150 million to the Contras with "no strings attached." Robelo said that the Bolivians were evasive in their answers about the origins of the funds. Robelo was advised not to accept any money from the Bolivians until its origins could be determined.

315. **CIA Response to Allegations of Drug Trafficking.** No information has been found to indicate that CIA took any actions to follow up on the 1984 Sandinista newspaper allegation that Robelo and ARDE were involved in dealings with a drug trafficker.

316. In October 1988, a cable reported to Headquarters that Perou and Crespou had been accused during a press conference by Roberto Suarez Levy, son of imprisoned cocaine "king" Roberto

Suarez Gomez, of being CIA agents. Suarez Levy also alleged that CIA and DEA were operating a cocaine lab in "Huanchaca," Bolivia. A Headquarters response stated that the only relevant information it had regarding Perou and Crespo was that they had met with Robelo in June 1987 and offered him $150 million for the Contras.

317. Robelo says he does not recall the meeting with the Bolivians or their reported offer of $150 million. He does not deny that the meeting may have taken place, but states that he participated in approximately 10 situations when people offered to donate large sums of money to the Contras but did not do so.

318. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that CIA informed U.S. law enforcement or other agencies or the Congress about the 1984 Sandinista newspaper allegation. CIA informed Congress about the alleged offer of $150 million from the Bolivians in 1997 in the context of another matter.

Jose Salvador Robelo

319. **Background.** Jose Salvador Robelo Ortiz was a major figure in the Sandinista Party, serving first as an insurgent and later as a Sandinista Government official. By 1981, he devoted his full attention to Nicaraguan Democratic Movement (MDN) activities in San Jose with his cousin, Alfonso Robelo. His brother was Silvio Robelo, who was imprisoned by the GRN. *Circa* 1983, Jose Robelo became the Air Operations Coordinator within ARDE. He was later put in charge of maritime operations. Robelo gained a reputation for being disruptive and was considered to be of dubious reputation by the FDN. In September 1985, he was suspended indefinitely as Chief of UNO/Nicaraguan Revolutionary Armed Force (FARN) operations as a result of an internal investigation that held Robelo fully responsible for ordering the torture and execution of an alleged Popular Sandinista Army collaborator in August 1985. Although it is unclear when, Robelo later became active with the Southern Front again.

320. **Allegations of Drug Trafficking.** The first allegations of Robelo's involvement in drug trafficking were received by CIA in December 1984 when he was identified as a continuing associate of Jaime Ibarra Pasos, a.k.a. Pachelli. Pachelli was reportedly a known drug dealer in San Jose who trafficked approximately two kilograms of cocaine each month within Costa Rica. Pachelli was reportedly a close associate of Sebastian Gonzalez.

321. Also in December 1984, a CIA contact said that Gerardo Duran, a part-time FRS pilot, had recently returned to Costa Rica and had access to a Cessna 404. According to the contact, Duran reportedly had flown missions for Pastora and Robelo and might be involved in drug trafficking activities.

322. In April 1985, a cable reported that Robelo was associated with David Mayorga and another individual. Mayorga and the other individual reportedly were involved in drug trafficking.

323. In May 1985, a cable provided Headquarters with a summary overview of involvement of FRS personnel in narcotics trafficking. According to that overview, an ARDE Islander aircraft had made several trips to Miami and one to the Dominican Republic carrying Adolfo "Popo" Chamorro, who was implicated in drug trafficking. This aircraft reportedly was under the control of Robelo at the time. There was no indication of involvement by FRS personnel.

324. The April 17, 1989 edition of the Nicaraguan newspaper *La Republica* included a story that international agencies had published statements, based on information from the SFRC, that Robelo was involved in drug trafficking. The accusations of his involvement were based on comments made to the SFRC by Robert Owen. In the story, Robelo reportedly denied participation in any drug-related activities and criticized Owen because his statements were unfair and Robelo could not defend himself. Robelo also reportedly emphasized that he always adhered to the laws and would be willing to answer any questions in order to prove his innocence.

325. **CIA Response to Allegations of Drug Trafficking.** A January 1987 cable to Headquarters noted that Robelo had been alleged historically to be involved in narcotics trafficking and that the Station had successfully obtained Robelo's severance from all Contra elements. A September 7 cable to Headquarters describing Robelo noted that "in the past [Robelo] has been accused of possible involvement in narcotics trafficking to support the Nicaraguan resistance military efforts."

326. **Sharing of Information with Other U.S. Government Entities.** No information has been found to indicate that any of the information available to CIA regarding Robelo's alleged involvement in drug trafficking was shared with other U.S. Government agencies or the Congress.

Octaviano Cesar

327. **Background.** During the 1980s, Octaviano Cesar, brother of BOS leader Alfredo Cesar, played a role in the Southern Front. Agency officers met occasionally with Cesar--usually in the United States--to gather information and to help promote unity among the Southern Front groups. These infrequent meetings ended after Cesar was interviewed by CIA Security in April 1987. Based on this interview, CIA believed it was highly probable that Cesar was involved in drug trafficking.

328. **Allegations of Drug Trafficking.** The October 1984 Southern Front trafficking reporting noted that Miami-based drug trafficker Jorge Morales had a relationship with Octaviano Cesar and that Cesar had unsuccessfully sought to sell Morales blank Nicaraguan passports for $5,000 each. A second report claiming that Cesar had a relationship with Morales was received by Headquarters in January 1985 when Morales reportedly had described Cesar as a close friend.

329. On April 6, 1987, the CBS television program *West 57th Street* related allegations by Morales that Octaviano Cesar was his link to high levels of the U.S. Government regarding drug and arms smuggling. Further, the program reported that Cesar had accompanied Morales and Adolfo Chamorro on a trip to the Bahamas in late 1984, with Cesar and Chamorro agreeing to Morales' request that they carry checks for large sums of money through U.S. Customs on their return.

330. An April 1988 cable notified Headquarters that Octaviano Cesar had been arrested by Costa Rican authorities. The charges were described as credit payment default to a local business. There was a suggestion made that the arrest was part of a harassment campaign by Costa Rican authorities due to Cesar's alleged ties to drug trafficking.

331. **CIA Response to Allegations of Drug Trafficking.** As mentioned earlier, CIA disseminated the October 1984 information regarding Octaviano Cesar's links to Morales as a sensitive memorandum. Cesar was forced by CIA to resign from BOS, although he continued for some time thereafter to be involved in the group's affairs. In April 1987 CIA received a letter from Octaviano Cesar in which he denied the accusations by Morales and put himself at the disposal of the U.S. Government to proceed with any investigation that would clear his name.

332. In April 1987, Octaviano Cesar was interviewed by CIA Security. Cesar was asked about his past association with Morales and allegations of drug trafficking. He reportedly stated that he had first been introduced to Morales around 1984 by Adolfo Chamorro's former wife, Marta Healy, and that he had been involved in additional meetings concerning Morales' offer of aircraft to the Southern Front forces. Regarding the 1984 trip to the Bahamas, Cesar said that the purpose was to test the flying skills of Marcos Aguado, and that he did not know of any other specific purpose until the return flight when Morales asked Cesar and Chamorro to claim when clearing U.S. Customs that several checks were theirs. Cesar reported that he had suspected that Morales was involved with drug money, but that his desire to help the Southern Front drove him to work with Morales. Cesar reportedly denied ever using or taking any money from Morales, except reimbursement for travel expenses. Cesar reportedly also said that Marta Healy had contacted him in late 1986 with a request from Morales that Cesar testify in the United States that Morales' drug trafficking had been undertaken to assist the Contra resistance. Cesar said that he had refused this request.

333. Based on Cesar's interview, CIA Security believed it was highly probable that Cesar was involved in drug trafficking and involved in taking money from Morales. On May 4, 1987, CATF Chief Fiers prepared and sent a detailed report to Elliott Abrams, Assistant Secretary of State and Chairman of the Interagency for Nicaragua, regarding concerns about Cesar and drug trafficking.

334. On July 21, 1987, Headquarters instructed several Latin America Stations to advise all personnel who were talking with Alfredo Cesar that Octaviano Cesar must avoid even the appearance of being involved in BOS activities. That same month, Alfredo Cesar agreed to bar Octaviano from serving in any official or unofficial BOS capacity.

335. A cable notified Headquarters in September 1988 that Cesar had informed Southern Front leaders that he intended to return to a prominent role in the resistance. This was reportedly because he had received a letter from the SFRC, signed by SFRC Chairman Senator John Kerry, absolving Cesar of all drug trafficking charges.

336. **Information Sharing with Other U.S. Government Entities.** As explained earlier, the 1984 reporting, which included the information connecting Cesar to drug trafficker Jorge Morales, was disseminated to a broad range of senior U.S. Government intelligence and law enforcement officials.

337. An unsigned memorandum dated April 15, 1987 indicated that CIA had notified DEA's Miami office in January 1985 of Cesar's close association with Morales. The Agency informed DoS of suspicions regarding Cesar's involvement in drug trafficking in a July 20, 1987 memorandum from the Deputy Director for of the Office of African and Latin American Analysis of the CIA Directorate of Intelligence (DI), to Ambassador Morton Abramowitz, Assistant Secretary of State for Intelligence and Research. The memorandum responded to a DoS request for information concerning alleged Contra-drug trafficking connections and stated that Cesar was probably involved in the Morales and ARDE narcotics-related arrangements. It further stated that Cesar had resigned from BOS following public accusations of his involvement in drug trafficking. Attached to the memorandum was a copy of the January 21, 1987 memorandum concerning alleged Contra-drug trafficking connections that had been sent to Abramowitz by ADCI Gates.

338. On April 30, 1987, CATF Chief Fiers briefed the SSCI regarding the Contra program. As described in a May 1, 1987 Memorandum for the Record, Fiers explained the background of allegations of Contra involvement in drug trafficking dating back to November 1984. He added that Octaviano Cesar had a close relationship with Morales, was interviewed by CIA Security when this connection became known and that the focus of the interview related to concerns about drug trafficking.

339. According to a July 31, 1987 Memorandum for the Record, Fiers briefed the SSCI and a HPSCI Staff member that same day and stated that Cesar had been interviewed regarding drug trafficking when the Morales allegations arose. Fiers said CIA believed it was highly probable that Cesar was involved in drug trafficking. Fiers noted that this was reported to DoS and that the Agency had informed Cesar's brother Alfredo that Octaviano Cesar must step down from his BOS leadership role immediately.

Edmundo Jose Chamorro

340. **Background.** Edmundo Chamorro was, like his brother Fernando Chamorro, one of the principal members of the Eleventh of November movement that was involved in armed opposition to the Somoza regime in Nicaragua in the 1970s. A March 1981 cable informed Headquarters that Edmundo Chamorro had become one of the leaders of UDN/FARN.

341. In a July 1, 1982 cable, Headquarters expressed "grave doubts" about Edmundo Chamorro's reliability and security consciousness. A January 1983 cable informed Headquarters that a senior UDN/FARN member had expressed concerns that Edmundo Chamorro was engaged in the "misuse of [resistance] funds and inciting the people to premature guerrilla and sabotage acts." In early February, Fernando reportedly removed Edmundo from the movement. In April 1983, a Headquarters cable indicated that Edmundo Chamorro had "no leadership position of any sort in the UDN and has been excluded from active participation in the group's activities." The cable went on to say that Edmundo had "some serious character defects" and that his remarks were "often motivated by insecurity and vindictiveness."

342. In response to a January 1986 request from Headquarters for updated information concerning Chamorro, a cable provided background information regarding Chamorro's "baggage." No information has been found to indicate any CIA contact with Edmundo Chamorro after 1983.

343. **Allegations of Drug Trafficking.** A June 1986 cable to Headquarters stated that a local newspaper had published an article linking Edmundo Chamorro with drug traffickers. The Costa Rican Judicial Police reportedly had wiretapped conversations between convicted drug trafficker Horacio Pereira and Contra commander Sebastian Gonzalez Mendieta. The transcripts of the wiretaps allegedly indicated that Pereira and Gonzalez discussed the

participation of several Contra leaders, including Edmundo Chamorro, in drug smuggling operations. In one conversation, Gonzalez reportedly advised Pereira to seek Edmundo Chamorro's assistance in providing logistics for drug transport.

344. **CIA Response to Allegations of Drug Trafficking.** Upon learning of the Costa Rican newspaper allegations against Edmundo Chamorro, a June 1986 Headquarters cable asked for copies of the Pereira/Gonzalez wiretap transcripts that were mentioned in the article. Headquarters commented that "as it stands now it appears we are dealing with innuendo rather than hard facts about Edmundo and his connection to Gonzalez." In July 1986, Headquarters again cabled and stated, "Allegations of drug trafficking continue to plague our operations. Request status of . . . attempt to obtain [referenced] transcripts." A July 1986 reply expressed doubt that they could be obtained since they were being held as evidence to be used in court. No information has been found to indicate that the transcripts were pursued any further.

345. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that any information regarding Edmundo Chamorro's alleged involvement in drug trafficking was shared by CIA with any other U.S. Government entity or the Congress.

Fernando Jose Chamorro

346. **Background.** Fernando "El Negro" Chamorro Rappaccioli, brother of Edmundo Chamorro, began his revolutionary career in the 1960s as the leader of a militant anti-Somoza organization known as the Eleventh of November. Although Fernando Chamorro's group was non-Marxist in doctrine, it worked closely with the FSLN to oust Somoza. In September 1978, Chamorro was arrested by the Somoza Government for anti-government activities. He was released, along with other political prisoners, in response to demands by FSLN activists who took over the National Palace in Managua. Upon his release, he left Nicaragua and was granted political asylum in Costa Rica.

347. As of January 1982, Fernando Chamorro was based in Honduras and was playing a major role in the Contra movement. He was a leader of both the UDN and FARN--the military arm of UDN.

348. CIA contact with Chamorro began in 1982, but according to a March 1985 cable to Headquarters, Fernando Chamorro's "ineffective actions" had negatively influenced his relationship with the Agency. Thus, Station suggested that CIA sever its contact with him.

349. An April 1986 cable informed Headquarters that Carlos Calvo, a former member of UDN/FARN, had been arrested at the Miami airport in October 1984 for attempting to leave the United States with $250,000 concealed in his clothing. According to the source, Calvo told the U.S. Customs Service that the money had been raised to support UDN/FARN and Fernando Chamorro had written a letter corroborating Calvo's story. A September 1986 cable verified to Headquarters that, although Fernando Chamorro reportedly had no previous knowledge of the money and no claim to it, he wrote a letter on Calvo's behalf on March 22, 1985 informing Customs that the money was meant to "help in the vital costs of the armed struggle for the liberation of Nicaragua." The letter also asked for assistance

"in obtaining these, our sacred funds back." The money was not released by Customs. According to the September 1986 cable, Chamorro admitted that he believed Calvo was involved in a money laundering operation, but said that he did not believe that the money was drug-related. He rationalized that "if the money was going to be lost, it might as well go to a worthy cause."

350. A December 1986 cable to Headquarters reported that Chamorro had become the Southern Front Commander for UNO in December 1986. According to a December 29, 1986 cable to Headquarters, that "difficult as it may be to understand, [Chamorro] continues to hold considerable sway on most of the [UNO] commanders in the south." Fernando Chamorro resigned from UNO's political and military structures in March 1987.

351. A December 1987 cable informed Headquarters that Chamorro's wife had been diagnosed with a malignant brain tumor. In August 1988, Chamorro was hospitalized after suffering a cerebral hemorrhage and subsequently died. Later that month, his wife died.

352. **Allegations of Drug Trafficking.** On March 16, 1986, the *San Francisco Examiner* published a story alleging that a UDN/FARN official--Francisco Aviles--had three years previously been involved in writing a letter to the San Francisco U.S. Attorney requesting that $36,000 seized from California-based drug trafficker Julio Zavala be returned to Zavala because it was Contra money. An April 1986 cable to Headquarters stated that Chamorro had questioned Aviles about the allegation after learning of the story. When Aviles could not provide satisfactory answers, Chamorro reportedly expelled him from the UDN/FARN. No information has been found to indicate that Chamorro was aware of Aviles' actions prior to 1986, or that Chamorro himself had ever been tied to California-based drug trafficker Julio Zavala.

353. A June 1986 cable stated that reportedly in August or September 1984 "Costa Rican drug trafficker Norvin [*sic*] Meneses sought the cooperation of 'El Negro' [Fernando Chamorro] to move drugs" to the United States.

354. **CIA Response to Allegations of Drug Trafficking.** In March 1986, when the *San Francisco Examiner* published its story linking Aviles to Zavala and a California drug trafficking ring, CIA began an immediate inquiry into the matter. An April 1986 Headquarters cable was sent to several Stations asking for all available information regarding the allegation that Aviles, a member of UDN/FARN under Fernando Chamorro, provided funds to Zavala. The cable stated that "we must act swiftly to ascertain the true facts. . . . We need to get the entire story immediately." In April 1986, a Station informed Headquarters that it had ascertained that Aviles was not personally associated with Chamorro, but served in the UDN/FARN as a human rights representative. Another Station reported in April that the FBI had found no evidence to link Zavala and the other arrested drug traffickers with Contra groups. A third Station also reported to Headquarters in April that its inquiry indicated that Chamorro had no links with, or knowledge of, any of those who had been arrested in connection with the California drug trafficking ring. According to an April cable to Headquarters, Chamorro stated that:

> UDN/FARN has never accepted large denominations of monies from any organization which did not first state the source of the contributions; Francisco Aviles was not involved in Southern Front activities in 1983 - the timeframe [of the California arrests]; . . . and Aviles has been informed verbally that he has been expelled from UDN/FARN, a written order to follow shortly.

355. No information has been found to indicate that CIA took any actions to follow-up or verify the June 1986 allegation that Costa Rican drug trafficker Norwin Meneses had sought Chamorro's cooperation to move drugs to the United States.

356. **Information Sharing with Other U.S. Government Entities.** An April 1986 Headquarters cable stated that DoS had been advised of the *San Francisco Examiner* story and of the Agency's findings regarding Chamorro's actions against Aviles. According to an April 1986 Station cable to Headquarters, the story was also the subject of discussions between that Station and the FBI's Field Office.

357. In February 1988, Chamorro was the subject of an ongoing criminal investigation by the FBI that reportedly had been initiated on the basis of information that a Station had provided to Headquarters in a July 1987 cable for passage to DoJ. According to the July cable, Chamorro allegedly had purchased several vehicles with funds that were intended for humanitarian aid. The cable requested that Headquarters "inform [FBI] and [DoJ] of [Chamorro's] appropriations of [Contra] property." No information has been found to indicate whether or how this request was acted upon by Headquarters.

358. No information has been found to indicate that information regarding Chamorro's alleged involvement in drug trafficking was shared with other U.S. Government entities or the Congress.

Sebastian Gonzalez

359. **Background.** Sebastian Gonzalez Mendieta (a.k.a. "Commandante Wachan") was a veterinarian by training who was involved in the effort to overthrow Anastasio Somoza in the late 1970s. He served briefly--in assignments relating to agricultural issues--in the post-Somoza Government established by the Sandinistas. However, Gonzalez claimed in 1981 that he had become disillusioned with the leftward turn of the Sandinista regime and relocated to Panama. There he joined forces with Eden Pastora and other disaffected Nicaraguans.

360. During the early period of the Contra resistance, Gonzalez was initially associated with ARDE, primarily as a logistics coördinator, and played a liaison role between ARDE and the Panamanian Defense Forces (PDF). By late 1983, Gonzalez' relationship with ARDE had deteriorated, however, and he attempted to form a small band of fighters known as the Third Way Movement. Gonzalez subsequently moved to Panama and gradually lost touch with the Contras.

361. **Allegations of Drug Trafficking.** A September 1984 cable to Headquarters, based on indirect information from Fernando Chamorro, alleged that Gonzalez had used several flights to Costa Rica from Panama to carry cocaine along with the communications gear he was transporting for the ARDE. The cable went on to report that Gonzalez had stored 11 kilograms of cocaine in Liberia, Costa Rica, and had taken 10 of those kilograms to an unknown location. According to the cable, Chamorro had also said that Panamanian leader Manuel Noriega, as well as Gerardo Hidalgo Abaunza--who was arrested by the Government of Costa Rica while in possession of the one additional kilogram of cocaine that Gonzalez had stored--were involved in the drug trafficking operation.

362. In late September 1984, a cable reported to Headquarters that a Costa Rican press report stated that Gonzalez and another

individual were involved in a flight that had crashed in the Pacific Ocean the previous week. It was implied that the plane, a Cessna 182 connected to Pastora's group, had no apparent business in the area of the crash and the crash would be investigated by the Government of Costa Rica.

363. In February 1985, a cable to Headquarters stated that Gonzalez was "well known in police circles in Costa Rica," and that it was likely that the case involving Hidalgo's possession of a kilogram of cocaine would not be followed up. Another Station, commenting in a cable to Headquarters on the same day, referred to this cable and stated:

> [The cable] appears to indicate that case against [Gonzalez] rested solely on allegations made by Gerardo Hildago, who was caught red-handed by the Costa Ricans with several kilos of cocaine. . . . Assume from the overall tenor of [the cable] that drug case against [Gonzalez] is too weak to take to trial and that he is thereby to be cleared of the charges.

364. A March 1985, cable reported to Headquarters that ARDE's security chief had linked Gonzalez to Alpa Aviation. Alpa Aviation was reported to be partially owned by drug trafficker David Mayorga.

365. In May 1985, a Station reported its belief to Headquarters that Marcos Aguado, a Contra pilot, could provide "concrete evidence" of drug trafficking on the part of various Southern Front leaders, including Gonzalez. In August 1985, the Station reported to Headquarters that Alfonso Robelo had said that Gonzalez was linked to Tuto Munkel, a Nicaraguan who was reportedly engaged in drug trafficking, weapons smuggling and money laundering. Munkel, the cable said, reportedly supported Gonzalez' drug activities in Costa Rica.

366. In October 1985, a Station reported to Headquarters that it had been informed by the local DEA office that Hugo Spadafora had made vague allegations to DEA several weeks earlier that Gonzalez, Manuel Noriega and Jose Ortiz Robelo were engaged in drug

trafficking. The chief of the local DEA office met Spadafora twice and, according to the cable, Spadafora had promised that he would provide evidence of drug trafficking by Gonzalez. Spadafora was murdered in September 1985 and no information has been found that Spadafora furnished any information to DEA after his second meeting with the chief of the local DEA.

367. An October 1985 cable to Headquarters discussed PDF requests that Gonzalez assist in:

> . . . defusing an effort by family members of slain rebel Hugo Spadafora to implicate Manuel Antonio Noriega in drug trafficking. [Gonzalez] has been asked to participate in a popular morning radio talk program scheduled for 21 Oct, in which [Gonzalez] will reveal and denounce a not yet public plan by Spadafora's brother, Winston, to obtain documents in Costa Rica which allegedly show that [Gonzalez] was involved in drug trafficking.

A handwritten notation on this cable stated " . . . if the truth be known, we had reason to believe that [Gonzalez] has been involved in drugs about a yr [*sic*] - 1 1/2 yrs ago. . . ."

368. According to a June 1986 cable to Headquarters, the June 13 edition of the San Jose English language newspaper, the *Tico Times*, reported the sentencing of three people for drug trafficking. The article stated that local police had wiretapped conversations between Gonzalez and Horacio Pereira, one of those who had been arrested. Gonzalez allegedly had advised Pereira, described as a pool hall operator, to seek Edmundo Chamorro's assistance in providing logistics for transporting drugs.

369. According to a February 1988 Headquarters cable, former Panamanian Consul General in New York Jose Blandon had linked Gonzalez to narcotics trafficking in testimony before a congressional subcommittee the previous week. The Headquarters cable asked for comment on the allegation. In response, with regard to the narcotics allegation, a February 1988 cable replied:

> . . . .
> 6. Regarding Blandon's accusation, we also have no details and I agree that whatever Blandon said could well relate to the earlier Costa Rican-related allegations.... Those allegations periodically arose . . . . Each time, [Gonzalez] firmly denied them, saying that the allegations originated with, as I recall, Eden Pastora or "El Negro" Chamorro to discredit him as a potential rival. We don't have any records here on that whole affair . . . .

370. A former CIA independent contractor officer recalls that he was in Pastora's house in October 1983. The independent contractor says this was after the La Penca bombing and the situation was extremely tense.[14] He says it was at this time that Spadafora told him that Gonzalez was involved in drug smuggling. The independent contractor says that he had a very close relationship with Spadafora, who "hated" Noriega and the United States, but saw the independent contractor as a Latin and not a person from the CIA. The independent contractor says Spadafora was the first to tell him that Noriega was smuggling drugs with the Contras and that Gonzalez was involved. The independent contractor states, however, that he and his colleagues never received any proof of the drug trafficking allegations against Gonzalez.

371. The independent contractor says that Gonzalez ran a shoe store in Costa Rica and used shoe boxes to transport drugs. He says he never learned anything about the route used in Gonzalez' drug smuggling, other than that the drugs went from Panama to Costa Rica and then maybe on to the Dominican Republic.

372. The independent contractor adds that he reported the Gonzalez-drug allegation in October 1983 to his superior, who replied that CIA had heard some rumors of drug trafficking involving the Contras. The independent contractor says they discussed the situation at his superior's home, including what was going on with Gonzalez as well as drug trafficking allegations involving Contra pilots and the nephew of Alfonso Robelo. The superior says he cannot recall who Gonzalez is.

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[14] The La Penca bombing occurred in May 1984.

373. **CIA Response to Allegations of Drug Trafficking.** In response to the allegations regarding drug trafficking by Gonzalez received in September 1984, it was reported in September 1984 that DEA had been asked for "assistance in verifying the story" and the local DEA office had confirmed the arrest of Gerardo Hidalgo in Costa Rica for possession of one kilogram of cocaine. It was requested that permission be granted to provide leads to the Government of Costa Rica as to the whereabouts of Gonzalez.

374. In September 1984, authorization was provided to furnish information to the Government of Costa Rica regarding Gonzalez' whereabouts.

375. An October 1984 cable to Headquarters on Gonzalez stated that reportedly Gonzalez denied any involvement in the cocaine trafficking incident that had been described in the September 1984 cable. The October cable stated that Gonzalez had seen his accuser, Hidalgo, only twice in his life, once in the early summer of 1984 and again in September 1984 in Liberia. Gonzalez claimed that someone else was using his previously lost identification card to register at a hotel in Liberia and that he has a "Panamanian-issued travel document to show that he was in Panama at the very time he is said to have been visiting Hidalgo" in Liberia and that "he will use the document to clear himself with the Costa Rican authorities." In regard to the aircraft that was ditched off the coast of Nicaragua, the cable stated that:

> . . . [Gonzalez] said that he may have been mistakenly placed in the plane due to a similarity of names. The plane was piloted by [an individual with a similar surname]. According to [Gonzalez, this individual] is a pilot for [Fernando Chamorro]. [Gonzalez] said his own name is associated with the aircraft because he helped [Chamorro's] movement buy the aircraft and is listed as a [*sic*] owner of record.

376. In response to the June 1986 San Jose *Tico Times* report of wiretapped conversations linking Gonzalez to a pool hall operator

who had been arrested for drug trafficking, Headquarters sent a cable in June 1986:

> Appreciate heads up contained in [June 1986] cable re: Allegations of drug trafficking by Edmundo Chamorro and Juan [*sic*] Sebastian "Wachan" Gonzalez. Allegation also surfaced in evening news and has received some play here. In order to get a handle on allegation and in particular blow back on "El Negro" Chamorro, request station . . . obtain copies of transcripts of conversations outlined in para two ref. As it stands now it appears we are dealing with innuendo rather than hard facts about Edmundo and his connection to Gonzalez. Transcripts will shed light on nature of involvement with drug trafficking.

In July 1986, another cable from Headquarters requested a status report regarding the Station's attempt to obtain the transcripts. A response on July 16, 1986 stated it would be difficult to acquire tapes being held as evidence in court. No information has been found to indicate that the transcripts were ever obtained, or that this matter was the subject of further cables.

377. **Information Sharing with Other U.S. Government Entities.** According to a September 1984 cable to Headquarters, the San Jose DEA Office confirmed the arrest of Gerardo Hidalgo Abaunza on narcotics charges and the implications of Gonzalez' involvement. The cable also requested Headquarters "approval to provide leads [to Costa Rican law enforcement authorities] to whereabou[t]s of [Gonzalez] . . . ." The next day, Headquarters sent a cable that approved the request. An October 1985 cable to Headquarters noted that several weeks prior to that date Hugo Spadafora had made vague allegations to a local DEA officer concerning Gonzalez' links to narcotics trafficking. No information has been found to indicate that the allegations against Gonzalez were otherwise the subject of discussion between CIA and U.S. Government law enforcement agencies.

378. Then-DDCI Gates sent a memorandum to the DDI and DDO on March 28, 1988 asking for a briefing regarding Contra involvement in narcotics activities. The information that was

provided to DDCI Gates in response on March 31, 1988 included information then available to CIA regarding individuals who were allegedly involved in or knowledgeable of ARDE narcotics trafficking. Allegations that Gonzalez was involved in narcotics trafficking were included in one of the documents that was compiled to support the briefing. No information has been found to indicate what was done by CIA on the basis of the information provided to DDCI Gates or whether it was shared further with the congressional oversight committees or other intelligence and U.S. law enforcement agencies.

Carol Prado

379. **Background.** Carol Prado Hernandez was a civil engineer who held several key positions in the FRS. In 1983, he assumed responsibility for operation of a Nicaraguan exile press office in Miami, and also worked on acquiring arms for ARDE. From late 1983 to 1985, Prado was working in the ARDE's logistics, propaganda and public relations sections and also serving as the communications chief. He was a close confidant of and advisor to Eden Pastora and headed the ARDE Headquarters staff in San Jose for a period of time.

380. A May 1984 Station cable considered Prado to be a "troublemaker" and possible agent of the Sandinista Government. From 1984 through 1987, however, Station Officers had occasional contact with Prado as part of their liaison with ARDE.

381. **Allegations of Drug Trafficking.** In January 1984, based on information provided by the FBI, a Headquarters cable noted that a contact of Prado's, arms dealer Sarkis Garabed Soghanalian, might be involved in drug trafficking. At this time, Prado reportedly was a Miami resident.

382. In May 1984 a cable to Headquarters reported an allegation that Prado was linked to drug trafficking. The cable reported that there was a request that CIA conduct an investigation of Prado's activities in Miami because of a belief that Prado had Pastora involved in "some kind of a drug deal." A May cable to Headquarters indicated that there was a report of a conversation between Prado and a Miami-based Cuban who helped fund and equip FRS/ARDE regarding the smuggling of Cubans into the United States. Reportedly there were also suspicions that Martinez and his colleagues were involved in drug trafficking.

383. A February 1985 cable informed Headquarters that Prado had appointed Carlos Pacheco to coordinate all air drop supply

deliveries to the Contras. Pacheco was described by the cable as a close friend of alleged drug trafficker Gerardo Duran. The cable also reported that the Pacheco appointment had led to speculation among Southern Front members that Prado had selected Pacheco in order to coordinate drug trafficking flights better.

384. A March 1985 cable to Headquarters reported information that indicated that Prado's reputation was so tarnished by drug trafficking allegations that Pastora was prepared to remove Prado from ARDE as part of a proposed agreement with other Contra leaders to create a single opposition group and joint military command.

385. A May 1985 review was cabled to Headquarters of allegations that FRS personnel were involved in drug trafficking. The review cited Prado and Duran as the Contras who were most frequently linked to drug trafficking allegations. It also contained information that Prado had started looking for alternative sources of funding for ARDE activities in 1983. Prado reportedly had made several trips to Miami, Haiti and the Dominican Republic with Miami-based drug trafficker Jorge Morales to look at unspecified "operations."

386. A May 1985 cable to Headquarters stated that FRS/ARDE pilot Marcos Aguado could "easily" provide concrete evidence linking Prado, Pastora and other Southern Front Contras to drug trafficking. A June 1985 cable to Headquarters contained additional allegations of narcotics trafficking by Prado and Duran. According to this cable, it was alleged that Prado periodically received funds suspected of being drug profits from Duran. In a December 1985 cable to Headquarters, it was reported that Pastora had instructed Prado to obtain money from Duran and another individual, who was also alleged to be involved in drug trafficking.

387. An April 1986 cable to Headquarters stated that Adolfo Chamorro had been arrested on April 22, 1986 for entering Costa Rica illegally. Chamorro asserted while in custody that Pastora

should be replaced because he was incompetent and Prado should be removed because he was involved in drug trafficking.

388. It was reported to Headquarters in an April 1986 cable that Chamorro had been interviewed by a Miami radio station after his return to the United States from Costa Rica. According to the cable, Chamorro claimed that Prado had been involved in illegal narcotics trafficking.

389. A June 1986 cable to Headquarters passed an allegation that reportedly linked Prado to drug money by stating that Prado had accepted $10,000 from Cesar Rodriguez, a known drug trafficker.

390. **CIA Response to Allegations of Drug Trafficking.** The May 1984 cable to Headquarters that contained allegations of drug trafficking against Prado also included a request for further information about Prado from the Departments of Treasury and Justice. No information has been found to indicate that this request was pursued or that any other CIA response resulted from the allegations of Prado's connections to drug trafficking.

391. The May 1984 cable also suggested that the Agency conduct an investigation into Prado's activities. No information has been found to indicate that this occurred.

392. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that information regarding Prado's alleged involvement in drug trafficking was shared with other U.S. Government intelligence or law enforcement agencies or the Congress.

Jenelee Hodgson

393. **Background.** Jenelee Hodgson, a Creole member of the United Indigenous Peoples of Nicaragua (KISAN), was a leader of the Southern Indigenous Creole Community (SICC). In early 1980, she decided that the Sandinista revolution had lost its original direction and began opposing FSLN policies. After release from being jailed for three months because of her participation in 1980 Creole protests in Bluefields, Nicaragua, she was harassed by the Sandinista police. In 1982, she went into exile in Costa Rica.

394. **Allegations of Drug Trafficking.** A May 1986 cable advised Headquarters that Max Ewart, a Canadian who worked in KISAN's San Jose office, had claimed at a SICC meeting that Hodgson maintained close ties to the Sandinista regime through her two brothers, one of whom ran drugs into the United States for the Sandinistas. Ewart also reportedly claimed that Hodgson was closely associated with two other specifically named drug traffickers, and that she had arranged the release of one of them from imprisonment in Costa Rica for drug trafficking. The cable added the comment that it was believed Ewart had deliberately sought to discredit Hodgson and other members of the KISAN leadership group.

395. A June 1986 cable to Headquarters stated that Hodgson reportedly answered the charges against her at a June 1986 SICC meeting by pointing out that most of the accusations were based on hearsay and propaganda printed in the Sandinista newspaper *Barricada*. She reportedly presented evidence of her finances and supplies to the troops in the field and succeeded in making her case before the Creoles.

396. **CIA Response to Allegations of Drug Trafficking.** According to a May 1986 cable to Headquarters, Hodgson had said that in mid-1985 she had stayed in the Miami home of a Nicaraguan Creole whom she had met through a cousin who was also living with the Nicaraguan Creole at the time. The cousin reportedly told

Hodgson that he suspected that the Nicaraguan Creole and others were involved in illegal activities and urged Hodgson to leave. Hodgson said she met Ewart and witnessed the arrival of several crates of cocaine and its subsequent distribution to dealers at the Nicaraguan Creole's home. Hodgson reportedly said that the Nicaraguan Creole had supervised the distribution of this cocaine for Ewart. The May 1986 cable commented that Hodgson's story was credible. No information has been found to indicate that the Agency attempted to investigate further the drug trafficking charges that had been made against Hodgson.

397. A March 1987 Headquarters cable stated that Ewart had an unsavory record. The cable reported that he was involved in cocaine dealings in Florida and that it had been learned that in 1986 that Ewart was plotting, via unsubstantiated accusations of wrongdoing, to dispose of Hodgson and assume a leadership role.

398. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that the Agency disseminated to U.S. law enforcement agencies the Ewart allegations regarding drug trafficking by Hodgson that had been reported in May 1986. However, a June 1986 Headquarters cable indicated that CIA shared Hodgson's allegations about Ewart's drug trafficking with both the FBI and DEA. Headquarters also recommended in the June cable that this information be shared with the INS office in Miami. No information has been found to indicate that this was done, or that any of this information was provided to the Congress.

Alfredo Cesar

399. **Background.** In the late 1970s, Alfredo Cesar Aguirre left Nicaragua and arrived in the United States where he became a spokesman for the FSLN. When the Sandinistas came to power in 1979, Cesar returned to Nicaragua to become the Chairman of the Central Bank, a ministerial position. In May 1982, Cesar resigned from the Central Bank and went into exile in San Jose, accepting a position with the Costa Rican Government as a financial advisor. Shortly thereafter, Cesar joined Eden Pastora, also in exile in San Jose, in the Contra movement.

400. In the mid-1980s, the United States sought to unify the splintered Contra movement. Cesar, as leader of BOS, opposed the signing of a unity accord. Headquarters stated in a January 1986 cable that Agency officers met with Cesar in December 1985 and January 1986 to discuss efforts to achieve political unity among the Contras, as well as the need for him to distance himself from Southern Front leaders who were alleged to be involved in drug trafficking.

401. A June 1986 Headquarters cable stated that Cesar had advised in June 1986 that he had signed the unity agreement with UNO.

402. By late October 1986, Cesar still had not fully integrated BOS into UNO. Cesar was informed that there would be "no [repeat] no additional funds" without integration into UNO.

403. A February 1987 cable informed Headquarters that financial support had been resumed for BOS in February 1987, but that it had been made clear that all future funding would be made through the unified Nicaraguan resistance. BOS was then incorporated into the unified Nicaraguan resistance.

404. In August 1988, Cesar was selected as the chief Contra negotiator for talks with the Sandinistas. In June 1989, Cesar returned to Nicaragua.

405. **Allegations of Drug Trafficking.** No information has been found to indicate that Cesar was the subject of any drug trafficking allegations, but his brother, Octaviano Cesar, was the subject of such allegations.

406. **CIA Response to Allegations of Drug Trafficking.** According to a January 1986 Headquarters cable, CIA informed him when urging Cesar to join with UNO in January 1986 that he would have to divest BOS of drug-related "baggage," specifically Adolfo Chamorro. A September 1986 cable to Headquarters noted that Cesar had been reminded "on more than one occasion" that Chamorro had a "possible association with narcotics trafficking." In January 1987, Headquarters cabled instructions for Cesar to be informed that U.S. Government funds could not be used to support any BOS member, such as Chamorro, until drug allegations against them were resolved. In February 1987, it was reported to Headquarters that Chamorro had been removed from the BOS payroll.

407. In April 1987, Cesar's brother, Octaviano Cesar, was interviewed by CIA Security regarding drug trafficking. CIA Security believed it was highly probable that Cesar was involved in drug trafficking.

Jose Davila

408. **Background.** Jose Davila Membreno was a vice president of the Social Christian Party--a democratic opposition party in Nicaragua, a Social Christian Party delegate to the National Assembly and a member of the post-Somoza Council of State. Also a member of the editorial staff of *La Prensa* until 1982, he went into exile in Costa Rica after Managua's imposition of a state of emergency. In September 1982, Davila was a founding member of the Nicaraguan Assembly of Democratic Unity--an exile group dedicated to political and civil action--but this group disintegrated within a year. At that point, Davila helped form another group--the Christian Democratic Solidarity Front--which joined ARDE in early 1983. Shortly thereafter, Davila became one of ARDE's leaders.

409. By 1984, Davila's influence within ARDE was in decline even though he remained a top official of the Christian Democratic Solidarity Front. In 1985, Davila aligned with BOS and was soon listed as a member of the BOS Executive Committee along with Adolfo Chamorro, Alvaro Jerez, Alfredo Cesar, and Bayardo Lopez. In May 1986, Davila, along with other ARDE field commanders under the command of Pastora and the FRS, agreed to align with UNO under the leadership of Fernando Chamorro. Davila also agreed to assume the responsibility for coordinating ARDE's political dealings with Chamorro and his staff. Davila then renounced his affiliation with BOS and Alfredo Cesar.

410. Davila was pivotal in encouraging leaders of BOS to join forces with UNO, and was a key figure in the restructuring of the Southern Front in August 1986.

411. **Allegations of Drug Trafficking.** Agency records include no allegations that Davila had engaged in drug trafficking. Issues did arise in regard to his admissions of affiliation with Pastora's associates who were connected to drug trafficking.

412. **CIA Response to Allegations of Drug Trafficking.** In view of Davila's associations, he was interviewed by CIA Security. CIA Security believed his denials of involvement of drug trafficking were highly questionable. On November 3, 1987, Headquarters advised that Fiers had briefed SSCI Senators Bradley and Cohen and SSCI Staff members on October 14, 1987 regarding the problems associated with Davila. Fiers reportedly had stated that the Agency had no narcotics-related information regarding Davila other than his unfavorable interviews with Security. According to the Headquarters cable, it was the conclusion of the SSCI staffers that to cease contact with an individual solely on the basis of a security interview would be premature and ill advised.

413. No information has been found to indicate that CIA took any further action to attempt to resolve the drug trafficking issues relating to Davila.

414. **Information Sharing with Other U. S. Government Entities.** A July 1987 CIA cable to the FBI reported that CIA Security had concerns regarding Davila and the issue of narcotics trafficking.

415. On October 14, 1987, Fiers briefed SSCI Staff members and two U.S. Senators regarding Davila's unfavorable security interviews due to narcotics-related issues. The SSCI transcript of that briefing and an October 14 Office of Congressional Affairs (OCA) memorandum for the record (MFR) regarding that briefing do not indicate the basis for the statement in the November 1987 cable that it was the conclusion of the SSCI staffers that to cease contact with an individual solely on the basis of a security interview would be premature and ill advised.

416. The then-NOG Chief says that the lack of support in the SSCI transcript for the cable's assertion regarding Davila could have resulted from an informal, off-the-record discussion with the SSCI Staff members following the formal briefing. He states that there were always informal discussions following the official briefings and that guidance by Staff members was routinely proffered during these discussions.

417. According to the SSCI transcript, DCI George Tenet--then a SSCI Staff member--was present at the October 14, 1987 briefing. He says he does not recall the Fiers briefing, although he recalls that Fiers briefed the SSCI on a weekly basis on the Nicaraguan activities. While he says there may well have been a briefing on Contra involvement in narcotics, he has no recollection of such a briefing. Concerning whether guidance was given to Fiers by the SSCI Staff regarding Davila, Tenet says he

> believes that while SSCI Senior Staff may have provided the advice referred to in the 1987 cable--he was not a member of the Senior Staff at the time[,] had no responsibility for covert action programs . . . and would not have been aware of discussions between SSCI and CIA which would have led to CIA [*sic*] staff advice.

418. Fiers responded in writing to questions and stated that he only has a vague recollection of the briefing. Regarding the cable assertion that SSCI "staffers" concluded that the relationship with Davila should not be terminated based solely on the basis of a security interview Fiers wrote, "I don't recall which particular staffer approved it."

419. The former Minority Staff Director James Dykstra says that it was unlikely that the SSCI Staff would express such a conclusion. He adds that Staff members might concur with something, but "not give direction that could be construed as a conclusion." He adds that "[The cable] doesn't have the ring of truth to it." He also notes that a statement by Fiers in the transcript regarding Davila that ". . . our druthers would be to continue to use him . . . " probably represented Fiers' request for permission to keep using Davila.

420. With regard to SSCI protocol, the former Minority Staff Director James Dykstra says that Fiers could have had "an off-line conversation" with the Staff and could have interpreted a casual remark as "direction" or approval because it was what he wanted to hear. Dykstra also says that, if the Staff had provided Fiers with any sort of advice, he would hope it would have been followed with a

written document. Dykstra goes on to say that, if the Davila case was a real issue, it would been raised with himself or SSCI Staff Director. He says that this kind of issue was clearly in the domain of the Chairman or Vice Chairman of the Committee. He adds that "advice like this [conclusion to keep Davila] would have been cleared through the Staff Directors who would have briefed the [SSCI] Chairman or Ranking Minority Member." He continues that the matter probably would have been discussed between the Chairman and the DCI at one of their meetings.

421. No information has been found to indicate that the Davila issue was discussed between Fiers and SSCI Staff members at any time after the October 14, 1987 briefing.

422. Louis Dupart, former CATF Compliance Officer and author of the November 3, 1987 cable, says that he does not specifically recall the October 14, 1987 SSCI briefing. He says that he would not have written anything in a cable that he did not believe to be true. Dupart says that he was "ultra sensitive" to such matters at the time. What likely happened, according to Dupart, was that Fiers explained the situation to the SSCI members and Staff and no one said during the testimony--or in the discussion after it was over--that the Agency had to get rid of Davila. Dupart believes that Fiers likely inferred, therefore, that it was "okay" to continue to use Davila in the Contra program.

Harold Martinez

423. **Background.** Harold Martinez became deputy commander of FRS in circa 1982. He resigned this position in 1984 to join the ARDE. In 1986, he became a principal member of BOS. In May 1988, he became the second-in-command under the Nicaraguan Resistance/Southern Front.

424. **Allegations of Drug Trafficking.** An October 1984 cable to Headquarters reported that Martinez alleged drug involvement by Pastora and Pastora's chief military officers. Then Deputy Commander of the FRS, Martinez had said that he could no longer work or remain affiliated with Pastora because of what he reported to be FRS leadership involvement with drug trafficking, arms smuggling and mismanagement of funds. Martinez provided no details or evidence to support his belief regarding corruption within the FRS, but he terminated his association with Pastora shortly thereafter.

425. In January 1987, CIA received information of Martinez's possible involvement in drug trafficking. In a December 1988 cable to Headquarters, it was reported to have been stated that Martinez "... undoubtedly had a connection with Pastora's drug activities" and warned against direct contact with either of the Martinez brothers.

426. **CIA Response to Allegations of Drug Trafficking by Martinez.** A July 1987 Headquarters cable reported that a new BOS leadership was elected during its transformation into a political party, and a five member directorate was chosen that included Martinez. Alfredo Cesar, who had been selected to be president of the directorate, had reportedly said that Martinez' support within BOS was too strong to be opposed. A December 1988 cable reported that Martinez was second-in-command under Nicaraguan Resistance/South Commander Ganso in May 1988.

427. **Sharing of Information with Other U.S. Government Entities.** No information has been found to indicate that information regarding Martinez' potential involvement in drug trafficking was shared with other U.S. Government intelligence or law enforcement agencies or the Congress.

Rene Corvo

428. **Background.** Rene Corvo, a Cuban-American veteran of the 2506 Brigade and the Bay of Pigs invasion, was the leader of an independent, heavily armed, anti-Sandinista military unit consisting of approximately eight Cuban-Americans and 40 Nicaraguans based in Costa Rica. Corvo reportedly stole equipment destined for the Southern Front to maintain his own force and divided equipment donated by Cuban-Americans between himself and Eden Pastora. In the late 1980s, according to information provided to the Agency by the FBI, Corvo was investigated for various Neutrality Act and arms trafficking violations and was rumored to be associated with plots against the lives of Pastora and U.S. Ambassador to Costa Rica Lewis Tambs.

429. **Allegations of Drug Trafficking.** According to a December 1984 cable to Headquarters, it was reported that Rene Corvo's unit was supported by Frank Castro and Corvo might be involved in drug trafficking by Castro. According to a December 1984 cable to Headquarters, Frank Castro reportedly was installing, or attempting to install, a cocaine processing laboratory in northern Costa Rica and was exploiting widespread paramilitary activities in northernmost Costa Rica as a cover for drug trafficking. Reportedly, Frank Castro sent his middleman to Costa Rica to purchase a ranch with a landing strip. Corvo was reportedly involved with Frank Castro and his middleman in this operation, and Corvo had traveled to Colombia shortly after returning to Costa Rica from Miami in November 1984, with the implication that this travel may have been drug-related. Further, Cuban-Americans supporting the Contra movement resented the alleged use of military activities as a cover for drug trafficking and feared that discovery and public exposure of the alleged drug trafficking would discredit Cuban-Americans and the insurgency in general. It was reported to Headquarters in December 1984 that reportedly:

> There are fears that Corvo, who has received support from Frank Castro, may be exploiting the military infrastructure in northern Costa Rica as cover for engaging in drug trafficking.

430. In August 1985, it was reported to Headquarters that a clandestine landing strip at a ranch in Guanacaste Province of Costa Rica was under investigation by the Costa Rican Narcotics Division. There were suspicions, reportedly, that Fernando Chamorro and Jose Robelo Ortiz might have been involved in drug trafficking because they had visited the ranch on several occasions and were closely involved with Corvo.

431. On March 6, 1986 and on March 17, 1986, the FBI interviewed Jack Terrell. Information obtained in those interviews was sent to CIA Headquarters in cables dated March 11 and March 24, respectively. According to the FBI cables, Terrell was associated with the Civilian Military Assistance (CMA) and said that he had met Corvo and several others in a Miami motel in either late 1984 or early 1985. The cable reported that "tactics in Nicaragua" was the subject of discussion when Terrell was asked to leave the room and meet "Rene Corbo."[15] According to Terrell, he was advised not to meet Corvo "because he is into drugs and arms and he works directly for Francisco Chanes." The cable said that Tom Posey told Terrell that Corvo could provide the CMA with money, weapons, transportation, and "everything we've been looking for." According to the cable, Terrell met an individual early the next morning who confirmed what Terrell had been told earlier:

> . . . regarding drugs, arms, Chanes, and Frank Castro and their relationship with Rene Corvo. [This individual] told Terrell that Frank Castro was the main liaison between the Colombian drug dealers and the Cubans.

432. **CIA Response to Allegations of Drug Trafficking.** No information has been found to indicate that the Agency took any action to follow-up or verify any of the drug-related allegations against Corvo.

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[15] Alternate spelling of "Corvo."

433. **Information Sharing with Other U.S. Government Entities.** In April 1986, CIA responded to a March 7, 1986, FBI request for information concerning Corvo and several other individuals. The CIA cable to the FBI noted that the Agency had received reports that Corvo was:

> . . . the leader of an independent, well-equipped, heavily armed anti-Sandinista military unit consisting of approximately eight Cuban-Americans and 40 Nicaraguans based in Costa Rica along the Costa Rican-Nicaraguan border. Corvo was described by members of his unit as a dedicated anti-Communist and Bay of Pigs veteran who is unpredictable and violent. In November 85 [it was] reported that Corvo is an uncontrollable hothead and infamous for his drinking bouts in Costa Rica. He is a divisive element in the Southern Front armed force and has also absconded with equipment destined for the Southern Front to maintain his own force. He also divided equipment donated by Cuban-Americans between himself and Eden Pastora for whom the equipment was not intended. In Dec 85 it was reported that Corvo was involved with Frank Castro's drug activities in Costa Rica.

434. According to an October 16, 1986 OCA MFR, CATF Chief Alan Fiers briefed Senator John Kerry on October 15, 1986 in response to questions Kerry had raised after an October 10, 1986 Fiers briefing regarding the Nicaraguan Resistance. According to the MFR, Fiers

> . . . passed a series of prepared sheets responding to the questions to Senator Kerry, who read each one carefully and occasionally asked additional questions. These sheets concerned: . . . Rene Corvo . . .

Also found in the OCA file is a separate, undated MFR that, although not described as such, may have been a copy of what was passed to Kerry regarding Corvo. That MFR contained a detailed summary of the reporting in December 1984 that alleged Corvo was involved with Frank Castro in installing a cocaine processing laboratory in Costa Rica. It also detailed the December 1984 reporting of possible drug-related travel by Corvo to Colombia and the allegations that the military infrastructure in Costa Rica was being used as a cover for narcotics trafficking. The summary also noted that a search of Agency records regarding Rene Corvo for the prior four years, including a complete listing of messages from other agencies concerning Corvo, had revealed no indication that Corvo had ever been "indicted, charged or arrested for narcotics trafficking."

435. At the conclusion of this briefing, according to the OCA MFR, there was an exchange between Fiers and Kerry concerning the possible complicity of various Contra personalities in drug trafficking to finance weapons purchases. The MFR stated that:

> Fiers' position was that there was no Agency evidence to support this charge. Senator Kerry responded that while he accepted CIA might not have evidence to this effect, his own investigations have produced evidence to the contrary. Fiers said he would be interested in seeing this evidence and Senator Kerry implied he would make the evidence available to Fiers.

Carlos Alberto Amador

436. **Background.** Carlos Alberto Amador Perez was a pilot for the Southern Front Contra forces during the 1980s. Although he was based in Costa Rica, he flew missions from Ilopango air base in El Salvador to deliver materiel to Contra forces inside Nicaragua as well as northern Costa Rica.

437. An August 1984 cable to Headquarters requested information concerning five new ARDE pilots, one of whom was Carlos Amador. The cable noted no derogatory information concerning the five pilots. Headquarters responded in an August 1984 cable that it had no information concerning Carlos Amador.

438. A November 1984 cable to Headquarters identified Amador as the primary ARDE Islander aircraft pilot.

439. A November 1984 cable to Headquarters identified Amador as one of ten investors in the 1981 creation of an aero taxi company at Los Brasiles airport in Nicaragua. According to the cable, the company, Alas De Nicaragua, S. A. (Alas), was a front for the FSLN and had five aircraft. As of October 1984, eight pilots, one of whom was a member of the Nicaraguan General Directorate of State Security (DGSE), were known to be working for Alas.

440. A February 1985 cable to Headquarters focused primarily on Ricardo Roberto Espinoza Castro, but referred to Espinoza and Carlos Amador as "the two new FDN pilots."

441. In an August 1985 Headquarters cable, Amador was described as "an exmember [*sic*] of the National Guard, [who] became disaffected by the FSLN's gradual takeover of [Alas] and dropped out." According to an April 1986 cable:

> Circa August to December 1984, Amador was flying the ARDE Islander on these flights and his copilot was Roberto Espinoza.

> Amador stopped flying for the [Southern Front] in early 1985 and worked with the FDN in Honduras for a short period. After this, he went into "private business."

442. The drafter of this cable says that his use of the term "private business" was a euphemism that related to what he thought were the Private Benefactors. The term was not, he says, intended to suggest narcotics trafficking.

443. **Allegations of Drug Trafficking.** A February 1985 cable reported that Ricardo Roberto Espinoza Castro had been formerly employed by David Mayorga, who was suspected of being involved with the Southern Front in narcotics trafficking. According to a November 1984 cable, Espinoza had been flying and working with Amador. A July 1985 cable stated that Espinoza "was flying as a co-pilot and mechanic for Carlos Amador" in October 1984.

444. A July 1985 cable indicated that David Mayorga had been overheard telling Carlos Amador on June 8 that a 150 kilogram shipment of cocaine that had been seized in a Cessna Citation near Barra Del Colorado, Costa Rica, was destined for Frudaticos[16] to be packed into yucca for delivery to the United States. The cable also reported that an aircraft that was to be purchased by Sergio Sarcovik[17] had been ferried by Amador from the United States to Panama and that Amador used Marcos Hernandez to " 'fix' flight plans for flights into/out of Panama area."

445. An August 1985 cable to Headquarters stated that reportedly there had been an August 14 meeting that had involved four individuals at Pavas airfield near San Jose, Costa Rica. According to the cable, plans were made at that meeting to ferry two airplanes from Miami to Colombia and those planes were to be used in a drug smuggling operation at a future, but unspecified, date. Further, Amador was to ferry these aircraft from Miami to Colombia,

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[16] Frudaticos was the primary packing house for Alpa, and was located in Turrialba, Costa Rica, approximately 100 km east of San Jose. From Frudaticos, trailers and containers were packed with pineapple and yucca for shipment to Limon, Costa Rica and direct sea shipment to Miami.

[17] A number of variations of the spelling in this name have been found, to include: Zarcovik, Zarcovich and Zarcovic.

via Belize and Panama, and was scheduled to depart San Jose for Miami. Reportedly, Amador was to fly a Cessna 206 to Colombia and then return for a Titan aircraft.

446. Referencing the August 1985 cable, another cable was sent on August 1985 to Headquarters providing additional information regarding Amador. According to the cable, Amador was scheduled to fly a Cessna 206 from Miami to Costa Rica, via San Salvador and Belize. Alpa had an airfield near Liberia in Guanacaste Province "which is used to receive and transship drugs." According to the cable, the "drugs are brought up from Colombia through Panama up to Limon, Costa Rica and then on to Alpa's private strip near Liberia." The cable identified other persons involved as probably Gerardo Duran, Sergio and Jorge Zarcovich, Carlos Viques, and a fifth individual. The cable explained that the information was viewed as "suspect," that is, not necessarily true, but noted that all of the information in the cable had been passed to the local DEA office.

447. In April 1986, a cable to Headquarters reported information from a March 18, 1986 DEA report regarding Carlos Amador. According to the cable, the DEA report noted that Amador had recently flown a Cessna 402 from Costa Rica to San Salvador where he had access to Hangar 4 at Ilopango air base. The cable also indicated that a"[DEA] source stated that Amador was probably picking up cocaine in San Salvador to fly to Grand Caymen [*sic*] and then to south Florida." The cable also reported that "[DEA] will request that San Salvador police investigate Amador and anyone associated with Hangar 4." The same cable included information from another DEA report, dated April 8, 1986, that linked Amador with Hangar 14 at Tobias Bolanos International Airport in San Jose. The cable also stated that Hangar 14 was allegedly owned by Sergio and Jorge Zarcovic. These two individuals reportedly were under DEA investigation in connection with a shipment of cocaine that was seized in Miami.

448. A June 1986 cable to Headquarters requested information concerning Carlos Amador. According to the cable, an Embassy officer who served as the point of contact for the regional DEA officer

requested any information concerning Amador. According to the cable, the regional DEA representative said that Amador was suspected of being heavily involved in narcotics smuggling. Also according to the cable, the DEA representative had explained that:

> Amador is a Nicaraguan who has a US passport, operates out of Costa Rica, allegedly is helping the Contras, frequently flies into Ilopango airport in San Salvador, and carries unspecified official credentials. No information was provided as to why Amador is suspected of narcotics trafficking. The Embassy officer said that if Amador is connected to [CIA], [DEA] will leave him alone, but if not they intend to go after him.[18]

As explained later, Headquarters responded to this request the following day.

449. A September 1986 cable from a Latin American Station reported the:

> . . . names of two individuals linked with Carlos Amador, a Nicaraguan-born legal resident suspected of involvement in narcotics smuggling (subject of previous traffic). The two periodically fly with Amador from Colombia to El Salvador, and recently flew from El Salvador to Curacao under suspicious circumstances. (They carried several barrels of ether as cargo, and after departing San Salvador turned off their radio navigation equipment.)

The cable identified the two as Colombian pilots Victor Hugo Torres and German Vanegas. A September 1986 cable from a Latin American Station and an October 1986 cable from Headquarters indicated no information concerning Victor Hugo Torres or German Vanegas.

450. Three years later, in September 1989, a Headquarters cable referred to the September 1986 cable and stated that Amador was suspected of narcotics trafficking. The cable also linked Vanegas,

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[18] According to DEA, "one could infer that the DEA was going to turn a blind eye to drug smuggling if AMADOR [*sic*] is a CIA asset. . . .This is not DEA policy and DEAwould not have turned a blind eye in this circumstance."

described as holding a Colombian pilot license, with Carlos Amador and noted that Vanegas "periodically flies with Amador from Colombia to El Salvador."

451. **CIA Response to Allegations of Drug Trafficking.** An April 1986 cable responded to the April 1986 cable that had connected Amador to probable movement of cocaine to Grand Cayman and south Florida. The cable stated

> . . . . that the only thing Amador ... transported during these flights [from Ilopango in late 1984] was military supplies. [It has been] reported that Amador did fly into Ilopango several times during 1985 in light twin engine aircraft on trips from [the U.S.] to either Costa Rica or Panama. [There were suspicions that] . . . Amador was involved with narcotics.

The cable also stated:

> would appreciate Station advising [DEA] not to make any inquiries to anyone re Hanger [*sic*] no. 4 at Ilopango since only legitimate . . . . supported operations were conducted from this facility.

No information has been found to indicate whether this information was shared with DEA or that any response was received from DEA regarding the request that DEA be asked to avoid inquiries regarding Hangar 4.

452. The drafter of the April 1986 cable says that he does not recall whether he followed up on the drug allegations reported in the cable. However, he says he is certain that Amador did not pick up cocaine from Hangar 5 and he is not aware of Amador ever being inside Hangar 4. Further, he states that these Contra supply aircraft either dropped their cargo in Nicaragua, or landed and were unloaded in Costa Rica. He also says that, "We were still out there looking in aircraft. They were empty and they would load supplies." He also says, "I was not aware of anything else they carried in the aircraft."

453. The drafter of that cable notes that another entity conducted operations from Hangar 4. He says he is not certain about the nature or affiliation of that entity, but surmises it may have been associated either with Oliver North, the Private Benefactors, or the Nicaraguan Humanitarian Assistance Office (NHAO). In any event, he says he had no contact with anyone associated with Hangar 4. As for his request that DEA be asked not to make any inquiries regarding activities in Hangar 4, the officer says his statement was not intended to thwart an investigation of activities in Hangar 4. He concedes, however, that the language in the cable could be read to suggest a meaning he did not intend.

454. According to the drafter, Amador could have come to Ilopango and visited the civilian portion of the air base, and the credentials issued to him by the El Salvadoran Air Force would have been effective on that side of the base as well.

455. The June 1986 cable to Headquarters that requested information concerning Carlos Amador also noted that an Embassy officer who served as the point of contact for the regional DEA officer had requested information concerning Amador. According to the cable, the regional DEA representative had said without further explanation that Amador was suspected of being heavily involved in narcotics smuggling but that DEA would leave him alone if he were connected with CIA.[19] On June 1986, a response to the cable stated:

> A. In November 1984 a Carlos Amador was reported to be a pilot with ARDE.
>
> B. In 1984 a Carlos Amador (born 1937) was reported to have been one of the original investors of the "Alas De Nicaragua, S.A." aerotaxi company, based in Los Brasiles airport. This company was at that time a front organization for the Sandinista National Liberation Front (FSLN). Amador had been a member of the National Guard but became disaffected by the FSLN's gradual takeover of above company and dropped out.

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[19] *Op. cit.*

> C. In 1985 a Carlos Amador was reported to be involved in a Colombia to Miami drug smuggling operation. He was to serve as the pilot.

456. In June 1986, Headquarters responded to the cable of June 1986. The Headquarters response provided essentially the same information as the previous June response, but with the following additional details:

> . . . .
>
> 4. In April 1986, [Amador], described as a former ARDE member, flew a Cessna 402 from Costa Rica to San Salvador where [Amador] has access to Hangar no. 4. It is believed that [Amador] was picking up cocaine in San Salvador to fly to Grand Caymen [*sic*] and then to south Florida. [Amador] has a valid Salvadoran government I.D. that allows [Amador] to operate freely in that country.

457. Amador was one of many pilots flying into and out of Ilopango. Each of the pilots who flew into Ilopango in support of the Contras had an identity document, issued at the direction of the Salvadoran Air Force Commander, that would allow the pilot to fly into Ilopango without having to clear Salvadoran Customs. There was no CIA involvement in the issuance of these documents. No information has been found to indicate how Headquarters knew that Amador had such a credential in June 1986.

458. **Information Sharing With Other U.S. Government Entities.** In August 1985, Headquarters responded to the cable of the same date that reported that Amador was planning to ferry aircraft from Miami to Colombia for use in a planned drug smuggling operation. The Headquarters response stated:

> 1. This cable documents for the record [the authorization]. . . . to pass substance of [the August 1985 cable] to [DEA]/Miami. We will provide identical information to [DEA Headquarters].
>
> 2. Carlos Amador is possibly identifiable with Carlos Amador Perez, a pilot of Nicaraguan citizenship. Per . . . . [cable]

> dated . . . . November 84, Carlos Amador Perez is an ARDE pilot. Per . . . . [cable] dated . . . . August 84 is [*sic*] part of the new ARDE structure. Per . . . . [cable] dated . . . . November 84, Carlos Amador Perez was one of the initial investors of the Alas De Nicaragua SA, an aerotaxi company, based at Los Brasiles airport, which served as a front for the FSLN. Carlos Amador Perez, an exmember [*sic*] of the National Guard, became disaffected by the FSLN's gradual takeover of the company and dropped out. Per . . . . [cable] dated . . . . August 84, [Amador] was to travel with [an individual], piloting a Cessna with tail number "Titans." (Note: Titan is perhaps a model rather than number.)

The Headquarters cable also provided information regarding Jorge Zarcovik, and three other individuals. No information has been found to indicate whether CIA Headquarters actually passed this information to DEA Headquarters.

459. Referencing the August 1985 cable, a cable to Headquarters later in August 1985 provided additional information regarding Amador. According to the cable, Amador was scheduled to fly a Cessna 206 from Miami to Costa Rica, via San Salvador and Belize, on August 24, 1985. Alpa had an airfield near Liberia in Guanacaste Province "which is used to receive and transship drugs." The cable stated that the "drugs are brought up from Colombia through Panama up to Limon, Costa Rica and then on to Alpa's private strip near Liberia." The cable identified other persons involved as probably Gerardo Duran, Sergio and Jorge Zarcovich, and two other individuals. The cable explained that the information was viewed as "suspect," that is, not necessarily true, but noted that all of the information in the cable had been passed to the local DEA office.

460. No information has been found to indicate that information concerning allegations of drug trafficking by Amador was shared with the Congress.

Jose Orlando Bolanos

461. **Background.** Jose Orlando Bolanos was a Nicaraguan who resided in the United States as a young man, was sent to a youth reformatory in New Jersey in the mid-1950s for one year for breaking and entering, served in the U.S. Air Force for six years, was convicted of burglary in New Jersey, and was deported in December 1961.

462. According to Agency records, Bolanos fled Nicaragua in mid-1979. Bolanos claimed in June 1981 that he was UDN's principal fund raiser and that he had elicited the support of the Argentine Government to support his anti-Sandinista activities.

463. According to an August 1982 cable to Headquarters, Bolanos had said in June 1982 that he did not see the possibility of a Nicaragua free of communism and had retired from active participation in anti-Sandinista activities.

464. A January 1989 cable to Headquarters reported that the FBI office in Tallahassee had provided Bolanos' name. Following a review of Agency records, Headquarters responded in a February 8, 1989 cable that provided a summary of information relating to Bolanos from Agency files. The summary included information regarding Bolanos' prior criminal record and his alleged involvement in a potential drug-related transaction in 1982--discussed further below.

465. **Allegations Of Drug Trafficking.** A May 1982 cable reported to Headquarters that a DEA report indicated Bolanos had met in January 1982 with undercover DEA agents in Florida for the purpose of negotiating the sale of 1,000 kilograms of cocaine. Bolanos was reported to have asked for $25,000 to cover the expenses of introducing the undercover DEA agents to the Bolivian supplier of the cocaine.

466. The cable added Bolanos was considered to be "strongly anti-drug but at the same time as an operator committed to the Nicaraguan counter revolution" and that Bolanos "is attempting to garner expense money to continue his fund raising efforts for the counter revolution."

467. An officer says he recalls the 1982 DEA report and his May cable, and comments that Bolanos told him about a "scam" Bolanos was going to participate in to raise "expense money." The officer says it is his opinion that the events described in the May cable pertained to the scam and that Bolanos' intent was not to engage in drug trafficking but to " . . . take the [$25,000] and run."

468. CIA received other allegations of possible illegal conduct by Bolanos unrelated to drug trafficking:

- A February 1982 FBI report stated that Bolanos had claimed that a group of anti-Sandinistas he was affiliated with was responsible for a lethal bomb attack on the Nicaraguan Embassy in El Salvador.

- In May 1986, a cable reported to Headquarters that Bolanos was implicated in an FBI investigation into a 1981 shipment of "light weapons" from Miami to "anti-Sandinista forces." The cable did not state whether Bolanos was the subject of the investigation.

469. A December 23, 1992 U.S. Embassy/Guatemala telegram to DoS--with an information copy to the FBI--discussed a visa request by Bolanos. Citing information provided to the U.S. Embassy via a telephone call from a U.S. law enforcement agency, the Embassy telegram described Bolanos as someone who " . . . has been and continues to be extremely valuable to [two] government agenc[ies]."

470. The Embassy telegram also referred to a Bolanos claim in an interview with a U.S. Embassy official that he had worked with the FBI on a plan to bring a controlled delivery of cocaine from Bolivia to Guatemala for eventual shipment to the United States. The

telegram cited Bolanos as claiming that he " . . . did not want to miss an opportunity to secure extra funds for the Contras" and that "his assistance would contribute to the war on drugs (a personal passion) . . . ." Bolanos claimed, according to the telegram, that he " . . . . would [in return] keep the advance payment on the first delivery for transfer to the Contra organization."

471. **CIA Response to Allegations Of Drug Trafficking**. In response to the May 1982 cable, Headquarters attempted to obtain from DEA Headquarters a copy of the report regarding Bolanos' meeting with undercover DEA agents to negotiate a cocaine sale. When this was unsuccessful, CIA asked a field Station to send a copy. No information has been found to indicate that CIA received a copy of the DEA report or took any other action in response to the allegations that had been received from DEA in 1982.

472. **Information Sharing with Other U.S. Government Entities**. All allegations of possible drug trafficking by Bolanos were received by CIA from other U.S. Government entities. On February 7, 1982, DEA requested that CIA conduct a records check on Bolanos in connection with "an ongoing investigation" of an unspecified nature. CIA's February 1982 response provided information pertaining to Bolanos' anti-Sandinista activities and other biographic information that included his early criminal activity in the United States in the 1950s and 1960s. CIA also advised DEA to contact the FBI and DoS for additional information regarding Bolanos.

473. The May 1982 allegation from a DEA report that Bolanos met with undercover DEA personnel to discuss a cocaine transaction in January 1982 was discussed in a January 21, 1987 Memorandum concerning alleged Contra drug trafficking connections that was coordinated with other Intelligence Community agencies and DEA. This Memorandum was prepared in response to a request from Morton Abramowitz, the DoS Assistant Secretary for Intelligence and Research at the time, for allegations in CIA's possession regarding connections between the Contras and drug traffickers. The Memorandum noted that Bolanos had been offered expense money

by undercover law enforcement officers in connection with the proposed cocaine transaction, but had refused and the transaction was never consummated.

474. A March 31, 1988 OCA MFR indicated that, on March 29, 1988, SSCI Staff Director Sven Holmes was provided a copy of the January 21, 1987 Memorandum that had been sent to Ambassador Abramowitz. A May 18, 1988 letter to the DCI from SSCI Chairman David Boren and Vice Chairman William Cohen indicated that the SSCI had "determined to commence an inquiry into those aspects of the narcotics trafficking problem in Latin America that fall within the Committee's jurisdiction." A June 6, 1988 DO position paper prepared for OCA in response to questions posed in the SSCI letter that were to be discussed in a June 8, 1988 meeting between CIA officials and SSCI Staff indicated that allegations against Bolanos were discussed in the January 21, 1987 Memorandum. The DO position paper did not describe the specific allegations against Bolanos.

475. No information has been found to indicate that CIA officials discussed the drug trafficking allegations against Bolanos at the June 8, 1988 meeting with SSCI Staff members. A June 9, 1988 DO MFR describing the meeting did not refer to the Bolanos allegations.

476. Subsequent to the February 1989 cable noting the FBI had provided Bolanos' name, a February 1989 Headquarters cable authorized passage to the FBI the "substance" of the file summary that Headquarters had provided in its February cable. The February Headquarters cable made clear, however, there was no authorization to pass any information to the FBI office relating to the January 1982 meeting between Bolanos and undercover DEA personnel. Instead, there were instructions to "advise [the FBI office] that they may wish to check with [DEA] for further information."

477. Markings on a December 2, 1992 unclassified U.S. Embassy/Guatemala telegram relating to a visa request by Bolanos indicate that the Agency informed DoS on March 19, 1993 that it

should " . . . refer to the FBI, DEA and INS for possible information on Subject, as well as the [State] Department's own files."

478. A May 1993 cable to Headquarters reported that the Immigration and Naturalization Service (INS) was conducting an investigation into allegations that Bolanos was engaged in cocaine trafficking, arms smuggling and illegal immigrant smuggling into the United States. The cable did not provide any specific information regarding the allegations, but asked Headquarters to provide information from Agency files pertaining to Bolanos that could be shared with the INS office.

479. Headquarters responded in a June 1993 cable indicating that, since Bolanos was the target of a criminal investigation in the United States, information in CIA files pertaining to Bolanos should be disseminated "at Headquarters level." Nevertheless, a June 1993 cable from Headquarters provided a brief file summary relating to Bolanos' prior criminal record and his business interests and indicated approval to pass this file summary to INS. Moreover, the Headquarters cable stated that "INS should also be referred to DEA and the FBI for additional information . . . relating to Bolanos." However, the following day Headquarters sent a cable directing that the summary be used for internal purposes only and reiterated that INS should direct its inquiry to Headquarters. No information has been found to indicate any communications between INS and CIA Headquarters in this regard.

Moises Nunez

480. **Background.** During the 1980s, Cuban-American Moises Nunez was affiliated--either as an owner or a senior manager--with three seafood companies: Productos Del Atlantico in Limon, Costa Rica; Ocean Hunter/Mr. Shrimp in Miami; and Frigorificos De Puntarenas in Puntarenas, Costa Rica. Frigorificos was among the companies that were used by the Department of State in the mid-1980s to channel humanitarian aid to the Contras. In the mid-1980s, Nunez was also a narcotics officer with the Government of Costa Rica.

481. **Allegations of Drug Trafficking.** According to a November 10, 1986 DEA Investigation Report, the DEA office in Costa Rica had, over two or three years, "received information from various sources regarding Nunez' alleged involvement in cocaine smuggling through Frigorificos De Puntarenas." The DEA Report noted that Nunez had entered the United States from Costa Rica in late 1985 in the company of a documented money launderer and that Nunez' name had been found among the personal papers of an individual arrested in connection with the seizure of cocaine.

482. The November 1986 DEA report also cited "hearsay" information obtained from two sources who alleged that cocaine was flown from Colombia to Costa Rica, where it was unloaded at airstrips owned by John Hull and another U.S. citizen. The cocaine was then reportedly transported to Frigorificos for shipping as frozen seafood to Ocean Hunter/Mr. Shrimp in Miami. These sources identified Nunez and Frank Chanes[20] as running the Frigorificos operation. No information has been found to indicate that either this

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[20] Chanes was the director of a company called Mr. Shrimp, which had the same telephone number and address as Ocean Hunter. Mr. Shrimp and Ocean Hunter were separate companies, although both were allegedly being used to ship cocaine concealed in seafood sent from Frigorificos De Puntarenas.

November 1986 DEA Report or the information on which it was based was made available to CIA at that time.[21]

483. A September 1984 cable to Headquarters indicated a request had been made for traces concerning Nunez from the DEA. The cable indicated the response received was "no derogatory results from these traces," although no information has been found to indicate that the Agency requested traces on Nunez from DEA Headquarters at that time.

484. A Headquarters cable in April 1986 provided a synopsis of an April 11 article in *The Washington Post* regarding an FBI probe into allegations that the Contras and their U.S.-based supporters were engaged in arms smuggling and narcotics trafficking. The last paragraph of the article noted that one Contra cocaine smuggling operation centered on an unnamed leading member of the 2506 Brigade who owned a seafood export business he was allegedly using to smuggle cocaine into the United States. An April 1986 Headquarters cable indicated that Headquarters believed Chanes was the individual referred to in this paragraph of *The Washington Post* story.

485. American journalists Martha Honey and Tony Avirgan filed suit in U.S. federal court in May 1986 against individuals whom they alleged had been involved in the 1984 La Penca bombing and in drug trafficking to support the Contras. Nunez was among those named in the suit, the details of which were obtained at the time by CIA.

486. According to the December 1988 Report of the Senate Foreign Relations Committee's Subcommittee on Terrorism, Narcotics and International Operations, titled "Drugs, Law Enforcement and Foreign Policy," Senator John Kerry had advised CIA, the Justice Department, DEA, State Department, and the NHAO in May 1986 of allegations he had received that Luis Rodriguez and

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[21] According to DEA, at that time, based on available information, there would not have been any reason for DEA to have passed this particular smuggling information to CIA.

his companies--Frigorificos and Ocean Hunter--were involved in money laundering and drug trafficking. No record has been found to indicate that CIA ever received this information from Senator Kerry.

487. **CIA Response to Allegations of Drug Trafficking.** Immediately following the April 11, 1986 *Washington Post* story, a Headquarters cable asked for a determination to be made concerning the nature of the business relationship between Nunez and Chanes. The April response noted that the source of the information contained in the FBI report that was cited as the basis for *The Washington Post* story was Jack Terrell. It was noted that it had been reported many times that "Chanes is a close personal friend and business associate" of Nunez.

488. An April 1986 response from Headquarters stated that the basis for the Agency's concern about Nunez was FBI information indicating that Chanes and "his partner" had offered the Civilian Military Assistance Group ten percent of the profits from the sale of frozen lobster. The cable indicated that this allegation, coupled with *The Washington Post* claim that one of the cocaine traffickers owned a seafood business, could cause trouble for Nunez if Chanes should be involved in "illegal activity." Headquarters acknowledged that it was aware of the Nunez-Chanes business relationship, but stated that it had no record of the precise nature of that relationship.

489. A September 1986 Headquarters cable contained information from CIA files concerning Chanes. Among the reports cited was a January 1986 cable reporting that DEA had seized over 400 pounds of cocaine that was concealed in cargo addressed to Ocean Hunter. The cable noted, however, that "there is no information to substantiate or refute that Chanes was either directly or indirectly involved in drug trafficking." No information has been found in CIA records to indicate that Chanes was ever arrested for or charged with drug trafficking.

490. On March 25, 1987, CIA questioned Nunez about narcotics trafficking allegations against him. Nunez revealed that since 1985, he had engaged in a clandestine relationship with the

National Security Council (NSC). Nunez refused to elaborate on the nature of these actions, but indicated it was difficult to answer questions relating to his involvement in narcotics trafficking because of the specific tasks he had performed at the direction of the NSC. Nunez refused to identify the NSC officials with whom he had been involved.

491. Headquarters cabled in April 1987 that a decision had been made to "debrief" Nunez regarding the revelations he had made. The next day however, a Headquarters cable stated that "Headquarters has decided against . . . debriefing Nunez." The cable offered no explanation for the decision.

492. Then-CATF Compliance Officer and Policy and Plans Chief Louis Dupart does not recall why the decision was made not to send anyone to debrief Nunez. He says, however, that the Agency position was not to get involved in this matter, and to turn it over to others because "it had nothing to do with the Agency, but with the National Security Council. We. . . . told Congress and [Independent Counsel for Iran-Contra] Walsh. That's all we had to do. It was someone else's problem."

493. **Information Sharing with Other U.S. Government Entities.** According to an April 13, 1987 MFR written by OCA's David Pearline, CIA Counterintelligence Chief Gus Hathaway and Dupart briefed Senators Rudman and Cohen of the Senate Select Committee on Secret Military Assistance to Iran and Nicaraguan Opposition on April 10, 1987 regarding Nunez' claim of his involvement with the NSC. Rudman and Cohen reportedly asked that the Senate Committee Staff interview Nunez on these matters. Dupart offered to facilitate an interview in a third country. No information has been found to indicate whether such an interview occurred.

494. In his written response to CIA/OIG questions, Fiers states that he does not recall "precisely" why no one was sent to debrief Nunez. However:

> My recollection is that because of the NSC connection and the possibility that this could be somehow connected to the Private Benefactor program (otherwise known as the Iran Contra affair) a decision was made not to pursue this matter, but rather to turn it over to Judge Walsh [the Independent Counsel for Iran-Contra]. I don't recall exactly the decision making process; it is my recollection, however, that this was a group/consensus decision. Perhaps legal records will shed more light on this.

495. In September 1987, Nunez was interviewed in San Jose. The interview report indicated that Nunez denied any relationship with the NSC or with anyone doing work for the NSC. The report made no mention of drug trafficking. A February 1988 CIA memorandum indicated that information on Nunez was turned over to the Iran-Contra OIC in response to its requests for information relating to its investigation.

496. In a December 12, 1991 memorandum, the DEA Administrator requested information from CIA concerning Nunez and any association he may have had with the Agency, indicating that Nunez had become involved in a criminal investigation. The U.S. Customs Service sent a request to CIA for information concerning Nunez on December 17, 1992. The Agency's responses to DEA on December 13, 1991 and to Customs on December 14, 1992, respectively, made no mention of Nunez' possible involvement in drug trafficking, although Customs was referred to the Agency's Office of Security (OS) for additional information. No information has been found to indicate any further request from, or any further response to, DEA or the Customs Service in regard to Nunez.

Gustavo Quezada

497. **Background.** Gustavo Quezada Acuna, also known as "Waykie," was a former Chief of Transportation in the Nicaraguan Air Force who left Nicaragua in March 1982 and was granted political asylum in the United States. Quezada joined the FDN air arm in early 1985.

498. **Allegations of Drug Trafficking.** A March 1985 cable to Headquarters relayed information regarding connections between Contra figures and the Miami-based drug trafficker Jorge Morales. Contra and Costa Rican pilots were making drug flights for Morales in accordance with an agreement between Morales and "Popo" Chamorro. Reportedly Quezada and Gerardo Duran had been in contact with Morales and had made flights for Morales. The implication was that the flights that Quezada and Duran were making for Morales were drug-related, but the cable did not specifically state this.

499. In a March 1985, a cable informed Headquarters that there were "rumors" among the Contras that Quezada "had become involved with narcotics traffickers." In addition, the local DEA representative had indicated that Quezada was "definitely in contact with known narcotics traffickers" and was involved in activities that had resulted in DEA confiscation in the United States of an aircraft, 400 kilograms of cocaine and U.S. currency. The nature of Quezada's "involvement" or "contact with known narcotics traffickers" was not specified in the cable. The March cable did, however, offer the opinion that there was "no evidence at this time connecting [Quezada's] activity with [Pastora's] narcotics operation."

500. A May 1987 U.S. Customs Service response to a CIA trace request stated that a 1986 Treasury Department record referred to Quezada's alleged involvement in narcotics smuggling via aircraft. No information has been found to indicate whether this information

was based on the same allegations that were reported by DEA in March 1985, or on other activities by Quezada.

501. **CIA Response to Allegations of Drug Trafficking.** The March 1985 cable to Headquarters indicated that Quezada had provided both verbal and written reports in his defense. The cable noted, however, the written report had been reviewed and found not to address the allegation that he had been involved in activities relating to the DEA seizure of 400 kilograms of cocaine in the United States. The written report provided by Quezada had been shared, according to the cable, with the DEA Country Office.

502. The March 1985 cable also expressed the opinion that whether Quezada was "a witting or unwitting accomplice [in drug trafficking] has yet to be determined, although all indications are pointing towards [Quezada] being aware of more significant information" than he had provided in his report. The cable indicated that CIA was sending a representative to a meeting between Quezada and representatives of a U.S. law enforcement agency in an effort to obtain his cooperation.

503. A March 1985 cable reported to Headquarters that Quezada had met and agreed to cooperate with a U.S. law enforcement agency. The cable reported that the DEA representative had said that Quezada "possibly was unwitting of the recent narcotics trafficking activity as arrests and confiscation of materiel [*sic*] occurred after [Quezada] had broken contact." The cable reported that DEA would continue investigating to clarify Quezada's involvement in illegal activities in the United States.

504. In May 1985, a cable informed Headquarters that Quezada had been contacted by the "infamous Gerardo Duran" and that Duran had told Quezada that Marcos Aguado--a pilot for Pastora--wanted to talk to Quezada.

505. No information has been found to indicate that any further action was taken by CIA to resolve these allegations. No information has been found to indicate that CIA was ever advised

after March 1985 of the results of the DEA investigation into Quezada's possible involvement in drug trafficking.

506. **Information Sharing with Other U.S. Government Entities.** According to cables reporting in March 1985, CIA and DEA officials met to discuss the allegations against Quezada. DEA was the source of the most specific allegations received by CIA regarding drug trafficking on the part of Quezada. CIA reportedly assisted the local DEA representative in gathering information that would clarify the validity of the allegations.

507. No information has been found to indicate that information relating to allegations of drug trafficking by Quezada was provided to Congress by CIA.

Felipe Vidal

508. **Background.** Felipe Vidal del Calvo, a Cuban-American, was associated with John Hull and, Moises Nunez.

509. Vidal served as a logistics coordinator for the Contras. In November 1988, Vidal became an independent contractor for the Agency, continuing to work with the Contras.

510. His employment with CIA was terminated in February 1990 because he had been linked in the Costa Rican press to the La Penca bombing. This media attention had, according to a January 1990 cable to Headquarters, "raised his profile to an unacceptable level."

511. **Allegations of Drug Trafficking.** A June 1986 FBI response to a trace request by CIA indicated that he had been convicted in Miami of several felonies between 1969 and 1980, including a 1971 conviction for conspiracy to violate U.S. narcotics laws. The FBI response also indicated Vidal had been arrested in January 1977 for selling marijuana and conspiracy to sell marijuana, although those charges had been dismissed. Vidal's complete arrest record was included in the Agency's Office of Security (OS) file regarding him. Other CIA records included a reference to his conviction for illegal possession of a firearm, but included no mention of his 1971 conviction, or 1977 arrest, in connection with narcotics trafficking.

512. A December 1984 cable reported to Headquarters that Vidal had ties to Rene Corvo, a Cuban-American who might be involved in drug trafficking with Frank Castro. A June 1986 MFR written by CATF's Costa Rica desk officer concerning Vidal noted that Vidal had helped Corvo raise funds in Miami for the Contras and that he had joined Corvo's Cuban-American brigade in Costa Rica in mid-1983. This relationship ended in mid-1984, according to the MFR.

513. In May 1986, American reporters Martha Honey and Tony Avirgan filed a civil suit against Vidal, Hull, Nunez, Adolfo Calero, and others, alleging that they were behind the 1984 La Penca bombing attempt on Eden Pastora's life and were funding their conspiracy through cocaine trafficking. These allegations were widely publicized in the U.S. and Costa Rican media. In 1990, a new round of press accounts, published in connection with a Costa Rican Public Ministry report on the bombing, identified Vidal and Hull as the masterminds behind the plot and said that the official report had called for charging the two with murder.

514. **CIA Response to Allegations of Drug Trafficking.** A June 1986 internal CIA OS memorandum noted that FBI trace results regarding Vidal "reflect an assortment of assault, robbery, narcotics and firearms violations." No information has been found to indicate that the information regarding Vidal's record that was made available to OS by the FBI was shared outside OS.

515. CATF Compliance Officer Louis Dupart says that he was not aware of Vidal's 1971 conviction for narcotics trafficking, but notes that the OS would not have shared the arrest record with the DO because Vidal was a U.S. person. Dupart states that he would have questioned whether "we need this guy" had he known about Vidal's arrest record at the time of his recruitment

516. CATF Chief Fiers, in his written response to CIA/OIG questions states that he:

> . . . was aware that [Vidal] had a record of misbehavior and general thuggery as youth. I do not recall nor do I believe that it was ever mentioned that this included a drug conviction.

517. The June 1986 memorandum from OS stated that Vidal had completed a favorable security interview in February 1986.

518. In January 1987, CATF advised the Station by cable that Vidal should have another security interview to determine whether

he was involved with drug traffickers. Although the CATF cable dismissed the allegations in the Costa Rican press as a "rehash of Honey/Avirgan stories," it noted that it would be "prudent" to reexamine Vidal.

519. Vidal was interviewed again by CIA Security in January 1987. According to a February 11, 1987 report, CIA Security did not have concerns about Vidal's alleged involvement in drug trafficking, since being involved in the Contra movement. On the basis of this report, a February 1987 Headquarters cable indicated that CATF had provided Vidal with documentation so he could continue working for CIA.

520. In July 1987, CATF cable cited two worrisome concerns about Vidal. The first was that Vidal recently listed his former employer as Ocean Hunter, a firm allegedly linked to narcotics trafficking activity. Second, Vidal had recently been mentioned several times "by true name" in television and news commentaries regarding Contra involvement in narcotics trafficking.

521. A July 1987 cable responded to Headquarters that the "negative repercussions" from Vidal's past employment with Ocean Hunter were balanced by the fact that he had favorable security interviews, and there were other indications of his reliability. In July 1987, the LA Division Chief asked OS to continue security processing. An August 10, 1987 response indicated that the Director of Security declined to continue security processing and that OGC had concurred in that decision.

522. An August 5, 1987 memorandum explained OGC's reasoning for its concurrence in not continuing security processing involving Vidal again. According to the memorandum, Associate Deputy General Counsel Gary Chase advised against further security processing of Vidal because "narcotics trafficking relative to Contra-related activities is exactly the sort of thing that the U.S. Attorney's Office will be investigating." Thus, Chase reportedly expressed

"concern over the possibility that the [security] process . . . could be exposed during any future litigation."

523. No information has been found to indicate that Vidal was questioned a third time by the Office of Security. According to an August 1987 cable, however, Vidal was questioned by a CATF attorney in "July/August 87" regarding allegations of Contra involvement in drug trafficking. According to the cable, Vidal's answers satisfied the attorney. CATF Compliance Officer Dupart recalls that he was the attorney and that he was satisfied that Vidal had not been involved in drug trafficking during his relationship with CIA.

524. In January 1990, after Vidal had again been accused in the Costa Rican press of being involved in the La Penca bombing, Headquarters decided to end his employment.

525. **Information Sharing with Other U.S. Government Entities.** According to the December 1988 Report of the Senate Foreign Relations Committee's Subcommittee on Terrorism, Narcotics and International Operations, Senator John Kerry had informed CIA, DoJ and the Nicaraguan Humanitarian Assistance Office in May 1986 of allegations that Luis Rodriguez and two of his companies--Frigorificos De Puntarenas and Ocean Hunter (which employed Vidal in 1985)--were involved in drug trafficking. No information has been found to indicate that CIA ever received this information from Kerry.

526. A January 1986 cable provided a biographic profile of Vidal to Headquarters. The profile included information that Vidal had been employed by Ocean Hunter in 1985. However, no information has been found to indicate that CIA was aware of Ocean Hunter's link to drug trafficking until a September 1986 Headquarters cable noted that DEA had seized 414 pounds of cocaine in Miami in January 1986 that was concealed in a shipment of yucca from David Mayorga and was "allegedly addressed to Ocean Hunter, Inc."

527. According to an October 16, 1986 MFR written by OCA's Deputy Director of Senate Affairs Alvin K. Dorn, CATF Chief Fiers briefed Senator John Kerry on October 15. The MFR indicated that Fiers provided Kerry with several "prepared sheets" responding to questions raised by Kerry following an October 10 Fiers briefing. One of the sheets provided information concerning Vidal, including his employment with Ocean Hunter, his relationship with Rene Corvo and his two convictions for illegal possession of firearms in the early 1970s. There was no mention in this sheet, however, of Vidal's arrests and conviction for drug trafficking.

528. According to a July 10, 1987 OGC memorandum, the U.S. Attorney's Office for the Southern District of Florida was investigating neutrality and gun running violations by Contra-related individuals and was concerned that some of these individuals would "allege that they were conducting their activities on behalf of CIA or the National Security Council" if they were indicted. Consequently, in order to determine whether such a defense "would have any viability," the U.S. Attorney's Office had requested that CIA provide "any documents" in its possession "which report on the Contra-related activities" of 18 named individuals and companies. Vidal and Ocean Hunter were among the names on the U.S. Attorney's list. The OGC memorandum requested that the DO indicate whether CIA had a relationship with any of these individuals or companies. Handwritten notations on the list indicated that the DO advised OGC that no information had been found regarding Ocean Hunter. No information has been found to indicate why information in CIA files pertaining to Ocean Hunter was not reported to OGC at this time or whether the incomplete information was provided to the Florida U.S. Attorney's Office.

529. A September 1988 Headquarters cable indicated that the Iran-Contra Independent Counsel had requested in April 1988 an interview with Vidal in connection with its prosecution of CIA employee Joseph Fernandez. The cable requested that the Station verify whether it had informed Vidal of the Independent Counsel's request in April. A September cabled response to Headquarters indicated that Vidal had been informed of the Independent Counsel's

request, and that he had refused to meet with the Independent Counsel. Nonetheless, a March 1989 memorandum to then-General Counsel Russell Bruemmer from an OGC attorney indicated that CIA was trying to persuade Vidal to consent to an interview with the Independent Counsel and that consideration was being given to paying any legal expenses Vidal might incur. No information has been found to indicate whether Vidal ever met with the Independent Counsel.

NORTHERN FRONT CONTRAS

WHAT DRUG TRAFFICKING ALLEGATIONS WAS CIA AWARE OF, AND WHEN, INVOLVING NORTHERN FRONT CONTRAS? HOW DID CIA RESPOND TO THIS INFORMATION, AND HOW WAS THIS INFORMATION SHARED WITH OTHER U.S. GOVERNMENT ENTITIES?

Adolfo Calero

530. **Background.** Adolfo Calero Portocarrero, an American-educated businessman and politician, was originally active--as were many other Nicaraguan political figures who went on to become Contra leaders--in working to bring down the regime of Anastasio Somoza. After Somoza's ouster in 1979, U.S. Embassy officials reported from Managua that Calero initially sought to work with the FSLN Government, claiming that all sectors needed to contribute to the political and economic reconstruction of Nicaragua. However, Calero had publicly criticized the Sandinistas by late 1980 for "setting themselves up as gods." In December 1982, he left Nicaragua in protest of FSLN policies.

531. On leaving Nicaragua, Calero joined the FDN and became a member of its leadership. In January 1983, he traveled to Panama, Costa Rica and Colombia to seek support. That same month, he helped draft a FDN peace initiative calling for elections, pluralism, nonalignment in foreign affairs, and respect for individual and human rights. Calero later became President and Commander-in-Chief of the FDN, the preeminent Contra group that pursued resistance activities on the Northern Front from bases in Honduras.

532. When pressures to unify the Contra forces led to the creation of UNO in mid-1985, Calero--along with Arturo Cruz and Alfonso Robelo--was named to share authority and decision making control of the military effort. Disputes with Cruz and Robelo led to Calero's resignation from the UNO leadership in early 1987.

However, with the founding of a successor coalition, the Nicaraguan Resistance (RN), in May of that year, Calero was restored to a senior leadership position. In that position, Calero differed with Enrique Bermudez, the RN military commander, over strategies for cease fire negotiations.

533. **Allegations of Drug Trafficking.** A number of Central American publications and public figures mentioned the Northern Contra Front forces in the context of broad-based charges of drug trafficking by the Contras. A cable informed Headquarters in February 1988 that a Nicaraguan exile had alleged at a meeting in Miami, Florida, that Enrique Bermudez, Adolfo Calero, Aristides Sanchez, and another individual were all involved in drug smuggling. The purpose of the meeting in Miami at which this allegation was made was to invite former Nicaraguan National Guard members to return to Nicaragua under a Sandinista amnesty program. The Nicaraguan exile reportedly offered no substantiation for his allegations. According to the cable, he had been characterized by both a U.S. law enforcement source and CIA as mentally unstable.

534. **CIA Response to Allegations of Drug Trafficking.** According to a February 1988 Headquarters cable, CIA records were searched in February 1988 regarding the Nicaraguan exile in response to his allegations that Calero and other UNO/FDN leaders had engaged in drug smuggling. The cable indicated that a number of sources characterized him as unstable, a swindler and as having a reputation of being a drug dealer in Nicaragua before leaving that country in 1983.

535. **Information Sharing with Other U.S. Government Entities.** In February 1988, the information contained in the February 1988 cable concerning the drug trafficking allegation by the Nicaraguan exile against Calero and other Contra leaders was forwarded by CIA to the FBI.

536. No record has been found to indicate that the allegation received by CIA regarding Calero and drug trafficking was reported to Congress.

Enrique Bermudez

537. **Background.** Enrique Bermudez Varela served as an officer in the Nicaraguan National Guard Corps of Engineers from 1952-1979. During his military career, he was a student at the U.S. Army School of the Americas, the U.S. Army Command and General Staff College and the Inter-American Defense College. After completing his study at the Inter-American Defense College, Bermudez was assigned as the Nicaraguan Defense Attaché in Washington from 1976 to 1979. During that period, Bermudez was openly critical of the Somoza Regime and its General Staff.

538. Subsequent to the Sandinistas' consolidation of control in Nicaragua as the Government of National Reconstruction (GRN), Bermudez was identified in the first half of 1980 as the "War Chief" of the anti-Sandinista organization, Democratic Armed Force. In the spring of 1981, Bermudez was identified as the Chief of the Military arm of the Nicaraguan Democratic Revolutionary Alliance (ADREN), the 15th of September Legion. In September 1981, the ADREN merged with the Nicaraguan Democratic Union (UDN) and formed the Nicaraguan Democratic Force (FDN).

539. Bermudez was ousted as the FDN's Chief of General Staff in late 1982 as part of the restructuring of the FDN, and he was then appointed the "Political-Military Coordinator" of the FDN Directorate with responsibility for oversight of the FDN's military organization. Nevertheless, he remained the de facto leader of the FDN military organization. In January 1983, he identified himself as the FDN directorate member responsible for military affairs and effectively the "Commander-in-Chief" of FDN forces. In February 1984, the FDN General Staff was abolished and replaced by a combined Civil-Military command with Adolfo Calero as Commander-in-Chief and Enrique Bermudez as Chief, Military Affairs.

540. Throughout the 1980s, Bermudez was dogged by attacks on his leadership and by accusations that he was a Somoza supporter

and that he had attempted to recruit former Nicaraguan National Guard personnel into the FDN. Bermudez was finally ousted by the Army of the Nicaraguan Resistance (ERN)/North General Staff from his position as the resistance's senior military leader in February 1990.

541. On February 16, 1991, Bermudez was assassinated in Managua, Nicaragua. Speculation was widespread that he was killed by Sandinista supporters.

542. **Allegations of Drug Trafficking.** A September 1981 cable informed Headquarters that reportedly Bermudez had advised the ADREN leadership against engaging in drug smuggling to the United States, but that a decision had been made to pursue such activities to finance ADREN's anti-Sandinista operations. Reportedly, as a result, an initial effort was made in July 1981 when an ADREN member carried cocaine to Miami aboard a commercial flight. Although Bermudez was the ADREN Military Chief and a member of the ADREN leadership, there was no indication that he was directly involved in such activities.

543. A February 1988 cable informed Headquarters that a Nicaraguan exile had alleged at a meeting in Miami, Florida that Enrique Bermudez, Adolfo Calero, Aristides Sanchez, and another individual were all involved in drug smuggling. The purpose of the meeting in Miami at which this allegation was made was to invite former Nicaraguan National Guard members to return to Nicaragua under a Sandinista amnesty program. The Nicaraguan exile reportedly offered no substantiation for the allegation that any of the named Contra leaders were involved in drug smuggling. Both a U.S. law enforcement source and CIA had characterized him as mentally unstable.

544. **CIA Response to Allegations of Drug Trafficking.** The September 1981 allegation that the ADREN had decided to smuggle drugs into the United States to finance its activities was disseminated by CIA on September 14, 1981 in a cable to the State Department; DIA; NSA; Commander-in-Chief, U.S. Southern Command; and U.S.

Ambassadors in Central America. The information also was disseminated to DEA, FBI, Customs, Treasury, and Intelligence Community agencies on October 28, 1981 as an Intelligence Information Report.

545. In February 1982, CIA Headquarters responded to a name trace request with a cable stating that Enrique Bermudez "is not associated with the 'renegade' 15th of September Legion members who are probably using their acquaintance with him as a means to gain some respectability." The 15th of September Legion was the designation of the military wing of the ADREN and was described by the Headquarters cable as engaged in criminal activities, including drug smuggling.

546. A CIA records search was conducted in February 1988 regarding the Nicaraguan exile in response to his allegations that month that Bermudez and other UNO/FDN leaders had engaged in drug smuggling. The search, according to a February 1988 Headquarters cable, indicated that a number of sources characterized him as unstable, a swindler and as having a reputation of being a drug dealer in Nicaragua before leaving that country in 1983.

547. **Information Sharing with Other U.S. Government Entities.** As mentioned earlier, a CIA intelligence report entitled "ADREN Operations to Smuggle Narcotics Into the U.S. to Finance Its Anti-Sandinista Activities" was disseminated to DEA, FBI, Customs Service, Treasury, and Intelligence Community agencies on October 28, 1981. The report related the allegation that the ADREN leadership intended to smuggle drugs into the United States to finance its activities against the GRN. The report also included the allegation that, in the initial effort in July 1981, cocaine was carried to Miami aboard a commercial flight by an ADREN member. The information had been shared with the State Department, DIA, NSA, Commander-in-Chief, U.S. Southern Command and U.S. Ambassadors in Central America by cable on September 14, 1981.

548. On February 9, 1988, the information contained in the February 1988 cable concerning the drug trafficking allegation by the

Nicaraguan exile against Bermudez and other Contra leaders was forwarded by CIA to the FBI.

549. No record has been found to indicate that either of the allegations received by CIA regarding Bermudez and drug trafficking was reported to the Congress.

Mario Jose Calero

550. **Background**. In the mid-1980s, Mario Calero, the brother of Contra leader Adolfo Calero, was the FDN's purchasing agent in New Orleans. An August 1985 cable to Headquarters reported that the FDN had contracted with a Honduran-registered airplane charter company named "Compania ORBE" to transport non-lethal aid from New Orleans to the FDN. The company was reported to be operating one DC-6. The cable indicated that FDN officials had become uneasy in dealing with ORBE officials because they charged the FDN unusually low rates, appeared to be overly eager to please and appeared to not be knowledgeable about certain aspects of the air charter business. As a result of these concerns, the FDN reportedly had decided that FDN personnel would not be allowed to accompany the DC-6 when it returned to the United States after each charter flight. Moreover, the cable indicated that Mario Calero had informed unnamed U.S. law enforcement officials that the ORBE aircraft was only under charter by the FDN when it carried FDN cargo from New Orleans to Honduras, and was not under FDN charter on its return flights to the United States.

551. In July 1988, Mario Calero and six other individuals were indicted in Miami, Florida, for Neutrality Act violations involving arms smuggling. However, the charges against Calero and five of the six other defendants were dismissed in July 1989.

552. **Allegations of Drug Trafficking**. A February 1986 cable to Headquarters reported an allegation that Mario Calero was engaged in drug trafficking. No specific details of the alleged drug trafficking were provided, although the cable noted that the individual making the allegation provided it to an FDN supporter following a meeting with Eden Pastora. No information has been found to indicate that CIA took any action to investigate the validity of the allegation. The FDN supporter and the individual who reportedly made the allegation say they do not know of any information linking Mario Calero to drug trafficking.

553. An April 1988 cable to Headquarters reported that a person had been approached by several individuals, including Mario Calero, who were interested in locating an alternative airport for shipping supplies to the Contras. The individuals also reportedly indicated they had an unspecified association with CIA. The person who had been approached said that, although he had no basis for his suspicions, he was concerned that these persons might take advantage of his good name by sending illegal supplies to the Contras or engaging in drug trafficking.

554. In December 1985, a cable reported to Headquarters that the Associated Press planned to publish a story on the FDN that included a claim that Mario Calero was taking kickbacks on FDN arms purchases. The cable did not provide any specific information, however, regarding the nature and extent of the alleged kickbacks.

555. In December 1985, a cable informed Headquarters that rumors were circulating in the local Latin community to the effect that Mario Calero was personally profiting from U.S.-originated aid for the FDN that transited New Orleans and that CIA was aware of this. The cable also said that the FBI and U.S. Customs Service had received similar reports, some possibly generated by media inquiries regarding Calero's activities. The cable added that there was no information to substantiate the allegations and that there was no indication of any CIA contacts with Mario Calero in New Orleans.

556. A December 1985 response observed that the allegations may have been based on jealousy and speculation, especially with respect to Mario Calero's expanded activities as a purchasing agent acting on behalf of the DoS-sponsored Nicaraguan Humanitarian Assistance Office (NHAO).

557. **CIA Response to Allegations of Drug Trafficking.** No information has been found to indicate that CIA took any action in response to allegations of drug trafficking by Calero. However, a November 1986 Headquarters cable warned that Mario Calero's poor reputation was a potential hindrance to the Contras:

> Mario Calero has one of the most seamy reputations of all the people involved in the Nicaraguan Democratic Resistance. Rightly or wrongly, he is seen as being up to his knees in corruption. Moreover, he is viewed as being nothing more than a hatchet man for the hardcore unreconstructed right of the FDN. In short, he is a symbol to our critics of all that is perceived to be rotten in the FDN. Whether or not this reputation is justified is immaterial: it is real.

558. **Information Sharing with Other U.S. Government Entities**. In March 1986, CIA responded to a trace request from the FBI by noting that it had received unconfirmed allegations that Calero had accepted kickbacks. Additionally, the CIA response stated that CIA would appreciate any information the FBI could provide regarding the allegations. No information has been found to indicate such a response from the FBI.

559. No information has been found to indicate that Congress was informed that CIA had received drug trafficking allegations against Mario Calero. However, a June 12, 1985 routing slip from the DO to CIA's Comptroller contained, as an attachment, DO responses to a number of questions regarding the Contras that the House Appropriations Committee (HAC) had asked CIA on May 2, 1985. One question related to allegations of corruption by Contra officials. A portion of the DO response to that question stated:

> There have been a number of allegations that Mario Calero may be skimming funds from NHAO but we have nothing to confirm it. The Agency is by law forbidden to engage in law enforcement activities in the U.S. . . . .

No information has been found to indicate the date and circumstances of CIA's conveyance of this information to the HAC.

Juan Ramon Rivas

560. **Background.** Juan Rivas, whose war name was *El Quiche*, was a former Nicaraguan National Guard officer who joined the Contra resistance in 1981. Upon the organization of the FDN, he became the instructor of the first fighters to enter Nicaragua in July 1982. He later helped organize the Jorge Salazar Force, an FDN combat unit, and became its commander. By August 1986, Rivas had constructed a task force of five regional commands with a total of 5,000 combatants. He was selected to be Chief of Staff of the ERN/North in March 1988, the only candidate who apparently was acceptable to all the commanders.

561. A CIA employee who dealt with the Contras from 1986 to 1988 says Rivas "was a subordinate of [ERN military commander] Enrique Bermudez and interfaced with representatives of the Agency as Enrique Bermudez would empower him to do so on any particular issue." In this regard Rivas was acting no differently than other Contra commanders.

562. **Allegations of Drug Trafficking.** According to a February 1989 cable to Headquarters, a Central American Station "was asked to check out a report in November 1988 received by the [U.S.] Embassy from DEA alleging" that Rivas was identical with a person of the same name who had reportedly escaped from a Colombian prison after being arrested on a drug trafficking charge.

563. According to the February cable, a CIA contract officer noted Rivas had said he had deserted from the Nicaraguan National Guard in 1979 when the first combat with the FSLN began in southern Nicaragua. At that point, Rivas said he had relocated to Guatemala, acquired a false passport and shortly thereafter moved to Colombia to find work. Rivas reportedly said that he became involved in the drug trade at a low level--packaging drugs; transporting them within the city of Barranquilla, Colombia; and passing them to traffickers for overseas shipment. He claimed,

however, that he did not personally smuggle drugs outside of Colombia. The Colombian authorities caught him, and he was sent to prison. Rivas, then 21 years of age, remained in prison for four or five months before escaping. He said that he then returned to Guatemala, decided not to return to the drug trade and joined the Nicaraguan resistance.

564. The CIA independent contractor says pursuing this question with Rivas was very difficult, in part because Rivas was always surrounded by a lot of "gunmen." Thus, the independent contractor says he believed he might be at personal risk if he accused Rivas in their presence. Nonetheless, he says he attempted to verify the DEA information. The problem of the gunmen took some time to resolve, but eventually he was able to discuss the allegation with Rivas alone.

565. The CIA independent contractor adds that Rivas had said that he had been involved in Colombia in taking drugs to ships in international waters. The CIA contract officer also says that Rivas told him he arranged the escape from the Colombian prison by paying a bribe.

566. The CIA independent contractor says that he never saw Rivas again after their discussion. He states that he does not believe Rivas was involved in drug trafficking while working with the Contras. He notes that Rivas had a horse at the Yamales camp that was reputedly worth $100,000. However, he said that he does not believe the source of Rivas' funds was drug trafficking, but Rivas' family money and overcharging the Agency for supplies.

567. As reported in a March 1989 cable to Headquarters, Bermudez said that, when Rivas joined the resistance forces:

> ... he had quite a bit of money. At the time [Rivas] had just broken a relationship with [an American] who was the daughter of a very rich US citizen and those who met [Rivas] at the time assumed his money came from the girl and/or her father. [Rivas] contributed most of his remaining resources to the FDN cause and has only a small ranch in Guatemala left from his earlier relationship. Some in

the FDN may have suspected at the time that the father-in-law was engaged in drug trafficking.

568. **CIA Response to Allegations of Drug Trafficking.** Following receipt of the information the CIA contract officer obtained from Rivas, CIA briefed the U.S. Ambassador to Honduras and the Deputy Chief of Mission. The February 1989 cable to Headquarters reported that Rivas' departure from the ERN would be "devastating," but that there appeared to be no other option.

569. In February 1989, Headquarters responded and requested that Rivas' admissions be discussed with the DEA representative at the Embassy, who was to be asked to take no action at that time and to "advise him that [the CIA] will inform [DEA Headquarters] on his behalf when appropriate." The cable also noted that it presumed the Ambassador would support this position in discussions with the DEA representative in view of the serious political damage to the U.S. Government that could occur should the information about Rivas become public.

570. The cable also indicated that Headquarters was particularly interested in knowing whether the DEA representative was obliged to inform the Government of Colombia of the admissions and whether Rivas was on a DEA "watchlist." The cable also provided instructions to discuss Rivas' admissions with Enrique Bermudez and asked whether he had any prior knowledge of Rivas' drug connection. The cable contained a caution that it was important that no U.S. Government official encourage Rivas "to disappear" and that there were significant legal liabilities--not further explained--to providing Rivas any such advice or encouragement.

571. In February 1989, a cable informed Headquarters that the Rivas case had been discussed with the DEA representative. The DEA representative reportedly said that there was no DEA action to be taken since the information concerning Rivas was "historic" and there was no indication of current trafficking by Rivas. The DEA representative also reportedly said that DEA had no obligation to

inform the Government of Colombia and that Rivas was not on any DEA watchlist.

572. On February 15, 1989, CATF sent a memorandum to Deputy Director for Operations (DDO) Richard Stolz outlining Rivas' background and his admissions of involvement in the drug trade in 1979. CATF proposed that, because of his importance to the Contras, Rivas be maintained as the Chief of Staff of ERN/North and that the House Permanent Select Committee for Intelligence (HPSCI) and the Senate Select Committee for Intelligence (SSCI) be briefed. The CATF memorandum noted that:

> . . . although this recommendation is not without political risk, the removal of Rivas, at this time, following the Central American Presidents' call for the dissolution of the ERN as an armed force, would adversely impact ERN morale and force integrity [*sic*] to an unquantifiable extent.

573. A February 22, 1989 note for DDO Stolz from Deputy General Counsel for Operations John Rizzo stated that:

> Under the circumstances, I do not believe that the existence of the 1979 drug charges requires us to remove Rivas as ERN/N[orth] Chief of Staff or otherwise disassociate ourselves from him. CIA regulations in this area focus solely on individuals currently in narcotics trafficking: we have to sever our relationship with anyone involved in trafficking to the United States, and we have to make a risk/benefit analysis about continuing to deal with anyone involved in trafficking outside the U.S. There is no indication that Rivas fits either category. What we have here is a single, relatively petty transgression in a foreign country that occurred a decade ago and that is apparently of no current interest to DEA.

(Underlining in original.)

574. A March 1989 cable to Headquarters stated that the Rivas matter had been discussed with Bermudez the previous day. Reportedly, Rivas had already approached Bermudez and explained the problem. The cable noted that, according to Bermudez, Rivas indicated that he wished to resign from the resistance. Bermudez

said he had calmed Rivas down and pointed out that his resignation at such a critical time would have "devastating affects [*sic*]." Rivas took some time off and then resumed his functions. He was, reportedly, waiting for guidance from Bermudez, "who recognizes the possibility of a scandal but does not want Rivas to leave."

575. A March 1989 Headquarters cable noted that Deputy Assistant Secretary of State for Inter-American Affairs Cresencio Arcos, along with the CATF Chief of Operations, had met with Bermudez in Washington. Arcos reportedly told Bermudez that Inter-American Affairs Assistant Secretary-Designate Bernard Aronson and Acting Inter-American Affairs Assistant Secretary Michael Kozak had decided that Rivas' admission of involvement in drug trafficking in 1979 necessitated his separation from the Contras as soon as possible. In order to prevent Rivas' departure from being viewed erroneously by ERN troops as a signal of imminent demobilization, Arcos advised Bermudez that Rivas should fade gradually from the scene. Bermudez agreed with this assessment and said that Rivas would be amenable to this approach as long as he had a way to earn a living.

576. In March 1989, a cable informed Headquarters that the Station's COS, the Ambassador and the Deputy Chief of Mission agreed that recent media coverage of ERN human rights violations made the ERN more vulnerable to drug trafficking charges "no matter how far removed." As a result of this discussion, the Deputy Chief of Mission was instructed by the Ambassador to meet with Rivas as soon as possible and inform him that he must leave the ERN. The cable reported that the Deputy Chief of Mission was also to ask Rivas if he knew of anyone else in the ERN who had been involved in drug trafficking.

577. According to an April 1989 cable to Headquarters, Rivas announced on March 29 his intention to resign for medical reasons.

578. At some unspecified time in early 1989, most probably in late April, a CATF officer drafted a cable to the Immigration and Naturalization Service (INS) regarding an application by Rivas for

U.S. Permanent Resident Alien (PRA) status. The cable draft described Rivas' involvement in drug trafficking in Colombia as well as his arrest, incarceration and escape. It also described Rivas' service with the Contras, noting that he had served with distinction and saying that the Agency had no evidence that Rivas had been involved with illegal drugs since 1979. The draft concluded with a request "that Rivas' service be taken into consideration at the time that his application for PRA status is reviewed."

579. The version of the cable that was actually transmitted to INS and the FBI on May 6, 1989 omitted the request that Rivas' service with the Contras be considered when his application was reviewed. The cable did, however, include all pertinent information concerning Rivas' admission of his involvement in drug trafficking in 1979.

580. **Information Sharing with Other U.S. Government Entities.** As noted above, allegations of involvement in drug trafficking by Rivas were first brought to CIA's attention by the U.S. Embassy in November 1988 in the form of a request for further information concerning a DEA report. After confirmatory information was obtained from Rivas in late January 1989, it was shared almost immediately with the Ambassador and the Deputy Chief of Mission. It was then shared with the DEA representative. INS and FBI were informed by CIA of Rivas' past connection with drug trafficking on May 6, 1989 in connection with Rivas' application for PRA status.

581. On March 15, 1989, a two-page memorandum prepared by CATF provided "talking points" for OCA to brief the HPSCI and SSCI regarding Rivas. The memorandum outlined Rivas' involvement in drug activities in Colombia in 1979, his arrest, incarceration and escape and briefly described his record as "the ERN/N[orth]'s most capable commander." It also noted that:

> During the month of February 1989, Rivas departed from Yamales. In early March 1989 he was in Miami, Florida seeking U.S. residency for himself and for his wife .... Rivas is not on the Drug

> Enforcement Administration (DEA) "watchlist," and, according to DEA, there is no indication that Rivas is currently involved in illicit drug activity. Further, DEA considers the information on Rivas "historical" and has no intention of informing the Colombian government about Rivas, nor would DEA normally do so.

582. According to a March 15, 1989 OCA MFR signed by the OCA Deputy Director for Senate Affairs Robert Buckman, he briefed SSCI Staff member David Holliday on March 15 concerning Rivas and told him that the Department of State had determined that Rivas "should be removed from his post and that Resistance leaders agreed." The March 15 MFR also stated that Holliday had said "that he would inform the Committee. He did not regard this as a serious matter." A March 10, 1989 OCA MFR written by OCA Deputy Director for House Affairs Norm Gardner stated that HPSCI Staff member Mike O'Neil was briefed on March 16, 1989 and that O'Neil "appreciated the briefing but had no real comments or remarks to make."

583. A March 28, 1989 CATF MFR reported a March 17, 1989 briefing on the Nicaragua program for HPSCI Staff members Dick Giza, Mike O'Neil, Duane Andrews, and Steve Nelson. The allegations of drug trafficking concerning Rivas were identified in the MFR as one of the topics of the briefing. CATF Chief of Operations (COPS) reportedly informed the Staff members that the Department of State had decided that Rivas would be "separated from the Resistance" and that Arcos had informed Bermudez of this decision on March 14. The COPS also reportedly told the Staff members that Rivas and his wife were applying for PRA status in the United States. In response to a question concerning U.S. Government support for Rivas, the COPS reportedly said that the CIA was not planning to assist in resettling Rivas.

Stedman Fagoth

584. **Background.** Stedman Fagoth led the MISURASATA Indian Movement, a loose knit organization of Indians from Nicaragua's Atlantic coast area. Fagoth's efforts in 1981 to raise money on behalf of the MISURASATA among exiled Nicaraguans in Miami apparently brought him to CIA's attention. Agency records indicate that Fagoth exhibited erratic behavior.

585. **Allegations of Drug Trafficking.** A January 1985 cable asked Headquarters for any information pertaining to a U.S. citizen. According to the cable, the U.S. citizen had offered to provide DEA with information pertaining to alleged Sandinista drug trafficking. The U.S. citizen had reportedly claimed to DEA that he had an association with a group called "The American Freedom Fighters," which was actively providing various types of aid to "the anti-Sandinista forces in Nicaragua."

586. A January 1985 cable--citing the Defense Attaché Office and other U.S. Embassy reporting--responded that the U.S. citizen, among other things, had allegedly sought Fagoth's assistance in stealing boats from Nicaragua. This reportedly was part of an alleged plan by the U.S. citizen that called for taking the boats to Honduras where they would be loaded with guns and then moved onto Colombia, where the guns would be exchanged for narcotics for the U.S. market. Headquarters, in a January 1985 cable, responded that it had no information in its files pertaining to the U.S. citizen.

587. In November 1987, a cable to Headquarters reported a KISAN official who was now a political rival of Fagoth's had said that Fagoth had suggested to him and others in 1982 or 1983 that they should go to Colombia to raise money for "the cause." According to this KISAN official, who claimed to have declined Fagoth's suggestion, the clear implication was that the trip would involve a drug deal of some sort. However, he said that a senior advisor to Fagoth at that time had agreed to the trip.

588. A November 1987 cabled response expressed skepticism regarding the portion of the November report that pertained to the senior advisor. According to the cable:

> Station finds it difficult to believe that [the senior advisor] would cooperate with [Fagoth] and go to Colombia on a drug deal to make extra money for the cause, especially since [the senior advisor] does not particularly care for or trust [Fagoth]

589. An April 1988 cable to Headquarters stated that the senior advisor had said "in an effort to further denigrate [Fagoth]" that Fagoth had approached him in 1984 with a scheme to kill Colombian cocaine traffickers who were moving through "the Yucatan" to the United States and to seize the drugs they were carrying. The proceeds from the stolen cocaine reportedly were to go to the "Indian movement." The senior advisor claimed to have declined the offer, but believed that Fagoth and other associates probably had consummated the scheme. The senior advisor also claimed that Fagoth—along with two Honduran military officers—had sold marijuana or other drugs.

590. **CIA Response to Allegations of Drug Trafficking** No information has been found to indicate that CIA followed up or pursued the drug-related allegations involving Fagoth to determine their validity.

591. **Information Sharing with Other U.S. Government Entities**. Agency records indicate that CIA was in contact with the FBI regarding Fagoth.

592. On July 7, 1987, CIA sent to the DoS copies of a summary report of "questionable activities on the part of Stedman Fagoth." This report included information from Agency records pertaining to alleged human rights abuses and the theft of U.S. Government-provided funds and materials by Fagoth that might "bear on his eligibility to receive [U.S.] support." The report also cited Fagoth's violence in dealing with his Miskito rivals and the charges of corruption linked to him. The report contained no references to the

January 1985 allegations relating to Fagoth's possible involvement in a drug trafficking scheme with the U.S. citizen. The report predated the CIA's receipt--in November 1987 and April 1988--of additional drug-related allegations against Fagoth.

593. No information has been found to indicate that allegations of drug trafficking involvement by Fagoth were shared with the Congress.

Roger Herman

594. **Background.** Roger Herman Hernandez, a Nicaraguan citizen, was political director of KISAN, a resistance organization composed mainly of Indians and Creoles that operated on the Atlantic coast of Honduras and Nicaragua. He was a strong supporter of U.S. policy in the region. By 1990, he was increasingly involved in the effort to reestablish democracy in the Atlantic coast region

595. **Allegations of Drug Trafficking.** A December 1986 Tegucigalpa U.S. Embassy telegram reported that, according to an Embassy source, Herman and the Haylock family of Roatan Island in Honduras were smuggling cocaine into the United States. Herman had reportedly obtained cocaine from Nicaragua and used Hondurans who were friendly to KISAN or unidentified U.S. personnel to carry it in small quantities to his brother in Miami. The Embassy source also reportedly claimed that on two occasions the Nicaraguan diplomatic pouch had been used for this purpose and that the Haylocks were using one of their boats, originally modified to smuggle weapons to KISAN, to traffic in cocaine.

596. The Embassy cable also noted that the Embassy could not vouch for the credibility of the source, and that Embassy checks revealed the source's colleagues were concerned that the source was "paranoid and mentally impaired." The cable also noted that the allegations against Herman may reflect "factional dissension within KISAN."

597. **Agency Response to Allegations Of Drug Trafficking.** The December 6, 1986 allegations against Herman were included in a January 1987 Interagency Assessment regarding the Contras and drug trafficking that was prepared by CIA for the Assistant Secretary of State for Intelligence and Research. A February 9, 1987 memorandum to CATF Chief Fiers from Assistant Secretary of State Elliott Abrams proposed that CIA "formally ask DEA and any other

appropriate agencies to undertake an investigation of [the] information [that had been] developed by the Agency" on Herman.

598. Fiers responded in an undated memorandum to Abrams that CATF had directed the field to undertake a full investigation, which would include questioning by CIA Security, as soon as the Agency had learned of the allegations against Herman. The Fiers memorandum said that, when the results of this investigation were received, "should there be any questions in our minds that Mr. Herman has any connections with drug smuggling, it will be raised with the Interagency Group/Nicaragua."

599. A CIA Security interview was conducted with Herman in February 1987. Based on this interview, CIA Security determined it was highly probable that Herman was involved in drug trafficking. In further security processing in May 1987, Herman said that he was confused over the term "trafficking." He reportedly said that he thought "trafficking" referred to personal use of illegal drugs. After this interview, CIA Security did not have concerns about Herman and drug trafficking.

600. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that CIA reported the results of its inquiries into the drug trafficking allegations against Herman to Abrams or the Interagency Group.

601. The drug allegations against Herman were included in the January 1987 Memorandum prepared for Assistant Secretary of State Abramowitz. No information has been found to indicate that CIA acquired any other information linking Herman to drug trafficking.

602. No information has been found to indicate that CIA advised Congress of the Embassy source's allegations regarding Herman or the results of CIA inquiries in response to those allegations.

Sebastian Pinel

603. **Background.** A March 1981 cable to Headquarters identified Pinel (also spelled Pinell), a.k.a. "Chatan," as a "leader of one counterrevolutionary group in Honduras" and cited his views of paramilitary training options. A May 1981 cable to Headquarters concerning Nicaraguan counterrevolutionary groups made reference to "a smaller exile group under the leadership of Sebastian 'Chatan' Pinel." A March 1982 cable to Headquarters reported on a Contra-related meeting in Tegucigalpa, Honduras, that was held at a house that "belongs to Sebastian Pinell Chatan [*sic*], a Nica[raguan] Contra sympathizer."

604. A December 1980 cable to Headquarters regarding Sandinista deployments said, "There is a Sebastian 'Chatan' Pinel resident in Tegucigalpa and known ... as reputedly an anti-FSLN activist." A March 1981 cable to Headquarters that was sent in response to information regarding another Contra personality stated: "Sebastian Pinel, one of subject's comrades, is known, although extent of his involvement in counterrevolution [is] somewhat vague."

605. **Allegations of Drug Trafficking.** A February 1985 Headquarters cable to DEA indicated that a source had said that Sebastian Pinel--described as a Nicaraguan exile living in Buena Park, California--may be involved in the dealing of cocaine. The cable also said that Pinel was reported by the source to be in Spain and that, although Pinel was reportedly "broke," he "may be on the verge of a major drug deal." The cable also said that Pinel was a "partner" and "best friend" of Horacio Pereira, a known drug trafficker.[22] No information has been found to indicate the identity of

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[22] Pereira was alleged in a March 16, 1986 *San Francisco Examiner* article to have been a Costa Rican-based source of cocaine for Julio Zavala and Carlos Cabezas, two of the persons who were arrested in 1983 and subsequently convicted in The Frogman Case in San Francisco, California. Pereira was sentenced to 12 years imprisonment following his 1986 conviction on drug charges in Costa Rica.

the source of this information or the circumstances under which the information was obtained by CIA.

606. **CIA Response to Allegations of Drug Trafficking.** Headquarters sent a cable to DEA in February 1985 reporting the alleged drug trafficking activities by Pinel.

607. **Information Sharing With Other U.S. Government Entities.** The February 1985 Headquarters cable to DEA provided information to DEA regarding alleged drug trafficking activities by Pinel. No information has been found to indicate CIA informed Congress regarding Pinel's alleged drug trafficking activities.

Arnoldo Jose Arana

608. **Background.** Arnoldo Jose Arana Garcia, also known as Frank Arana, was born in Nicaragua and held U.S. Permanent Resident Alien status during the Contra war period. Arana had been an officer in the Nicaraguan National Guard. Following the Sandinistas' overthrow of the Somoza regime, Arana emigrated to the United States. He joined the FDN's Special Air Branch in March 1983 and was identified in an October 1985 cable as Chief of Operations of the FDN air arm. A November 1985 cable from Headquarters indicated that Arana was the FDN's press officer.[23] A May, 1989 cable indicated that Arana held a senior position in the ERN/North leadership.

609. **Allegations of Drug Trafficking.** In April 1983, the Agency was informed by the FBI in response to a CIA trace request that Arana was under criminal investigation by a U.S. "presidential" task force on narcotics. No additional details were provided by the FBI at that time.

610. A November 1985 Headquarters cable indicated that the Immigration and Naturalization Service believed that some members of Arana's family "may be in jail on drug charges." An FBI memorandum dated January 23, 1986 indicated that Arana was "alleged to be the primary pilot in a drug smuggling enterprise" involving his brothers and others. However, the FBI report noted that " . . . to date, there has been no prosecutive action." On May 14, 1987, DEA responded to a May Agency trace request and indicated that Arana had planned to smuggle 100 kilograms of cocaine into the United States from South America in October 1983.

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[23] This may be an error, a confusion with another Frank Arana. Agency records indicate that another "Frank" Arana--Francisco Ignacio Arana Icaza--was the FDN's Director of Public Affairs and Communications at this time. This individual had an extensive background in radio broadcasting.

611. A May 1989 cable reported that ERN/North Air Force Commander Julio Gomez--who had previously held the same position in the FDN as had Arana-- said that "he always had doubts about Arana's activities." Gomez also claimed, however, that he had received a letter from a Texas police department indicating that an investigation into Arana's activities had revealed nothing illegal.

612. The May cable also reported that Gomez had stated that the media in Texas had recently reported allegations of drug smuggling in connection with a helicopter ferry flight from Tegucigalpa to Brownsville, Texas. Arana was reportedly the pilot, and the helicopter was owned by Jose Perez. Gomez said that Arana and Perez visited the DEA office in Tegucigalpa to clear up the matter once they learned of the allegations. Gomez reportedly believed that the purpose of the flight was to get the helicopter to the United States where it could be dismantled and shipped to a further destination in the United States or Canada. He did not know whether the drug allegations were "well-founded."

613. According to a June 1989 cable to Headquarters, CIA officers met with local DEA officers on June 14 in an effort to assess Gomez' story about the helicopter flight. Following this meeting, the cable reported, the DEA officers had confirmed that Arana had visited their offices in early May 1989 with Manuel Perez, Jose's brother. The cable reported that information from the DEA office in Texas seemed to clear Arana in the Brownsville incident, and DEA "thought it a closed case." The cable added, however, that DEA had uncovered additional information of possible drug trafficking involving the Perez brothers and that DEA believed, if "Arana is mixed up with the Perez brothers, he is probably dirty." The Perez brothers were the owners of record of SETCO--a small air services company that had been formed by Juan Matta Ballesteros, a convicted cocaine kingpin, according to DEA and U.S. Customs.

614. **CIA Response to Allegations of Drug Trafficking.** As mentioned earlier, the FBI advised CIA in April 1983 that Arana was under investigation by a presidential task force on narcotics. Between September 1983 and December 1985, the Agency requested

periodic updates from the FBI regarding the Arana investigation in an effort to resolve the allegations. The FBI responded on January 23, 1986 that Arana and his brothers were involved in a drug smuggling enterprise. No information has been found to indicate that the FBI provided other updates to the Agency during this time. In 1988, the Agency twice requested updates concerning the Arana investigation from the FBI. No information has been found to indicate that the FBI provided the requested updates to the Agency.

615. An unsigned, handwritten note was attached to the May 1989 cable that identified Arana as a senior member of the ERN/North leadership. The note stated: "Arnold Arana former Guardian National [*sic*]--still active and working, we [CIA] may have a problem."

616. As to whether CIA should have pressed the FDN (ERN/North) to expel Arana because of the task force on narcotics investigation, CATF compliance officer Louis Dupart says that "an investigation is not proof of wrong-doing." Although Octaviano Cesar was expelled from UNO for suspected involvement in drug trafficking as a result of CIA concerns, Dupart says that the Cesar case was different because CIA Security believed it was highly probable Cesar was involved in drug trafficking.

617. **Information Sharing with Other U.S. Government Entities.** The June 1989 cable reporting on the meeting with local DEA officers regarding the drug trafficking allegations against Arana indicated that CIA was working closely with DEA on "several issues." No information has been found to indicate the nature, extent, or results of this cooperation as it pertained to Arana.

618. No information has been found to indicate that the Agency provided information to Congress regarding allegations of Arana's involvement in drug trafficking. According to the official congressional transcript of a CIA briefing to SSCI Staff members on July 31, 1987, CATF Chief Fiers stated that "[CIA has] never found any evidence indicating that the FDN or those around the Northern Front, as it is known today, had been involved in cocaine or any drug

dealings, and we have looked very closely at that." According to that transcript, Fiers did not mention that CATF had been informed by Agency counterintelligence personnel on May 21, 1987 that Arana--an FDN official--was the subject of a presidential task force on narcotics investigation.

619. Fiers' written response to questions states that he was not aware that Arana was the subject of a federal narcotics investigation. Moreover, his response states that:

> Since my beginning asociation [*sic*] with the Central America program up until being shown information about Arana by the IG, it was my firm belief that no member of the FDN known to me was the subject of drug smuggling allegations. (I was aware, however, that Arana was not a productive pilot, ... and spent too much time in Miami.)

Jose Francisco Cardenal/Bergman Arguello/Eduard Jose Sacasa-Urouyo/Rolando Murillo/Juan Savala (or Zavala)/Renato Pena/Roger J. Ramiro

620. *Jose Francisco Cardenal:* **Background.** CIA records indicate that Cardenal, a former Vice President of the Nicaraguan Government Council of State, arrived in Miami, Florida, sometime in May 1980 after having left Nicaragua as an opponent of the Sandinista Government. According to an August 1982 cable to Headquarters , Cardenal was described as one of the early leaders of UDN/FARN "which splic [*sic*] from the ADREN group in Sept 80 [*sic*] and member of one of the Nicaraguan counterrevolutionary groups in March 81."

621. According to a September 1982 cable:

> [Cardenal] is at present travelling extensively to try and unify various groups and factions of Nicaraguan exiles into a common front. He has an almost encyclopedic knowledge of Nicaraguan personalities and family histories which makes him especially adept at the establishment of relationships and political ties. An obsticleis [*sic*] the military arm of the [Contras], whose officials are jealous of their prerogatives, and not enthusiastic about coalitions or common fromts [*sic*]. The plans are to overcome that hostility, bring about a unification of factions and groups for the overthrow of the Sandinista regime and the installation of a democratic governemt [*sic*].

622. According to a January 1983 cable to Headquarters Cardenal was ousted from the FDN over political differences with the FDN leadership. Following his ouster, Cardenal attempted to organize some of his followers into a rival organization--the Nicaraguan Insurrection Front--without success. According to a March 1983 cable, Headquarters reported that Cardenal "no longer holds any leadership position in any exile opposition organization."

623. **Allegations of Drug Trafficking.** An October 1982 cable to CIA Headquarters reported that an informant in the local Nicaraguan exile community had provided information to the U.S. Immigration and Naturalization Service (INS) that indicated that Cardenal and other Contra-related individuals might be linked to drug trafficking:

> 1. On 20 October 1982, an [INS] officer called . . . . to relay information he had received from an informant in the Nicaraguan exile community in the San Francisco area. According to this informant, there are indications of links between [a specific U.S.-based religious organization] and two Nicaraguan counter-revolutionary groups. These links involve an exchange in [the United States] of narcotics for arms, which then are shipped to Nicaragua. A meeting on this matter is scheduled to be held in Costa Rica "within one month." Two names the [INS] informant has associated with this matter are Bergman Arguello, a UDN member and exile living in San Francisco, and Chicano Cardenal, resident of Nicaragua. Cardenal was in San Francisco the week of 11 October 1981 [*sic*] to speak at a freedom rally sponsored by a Cuban freedom group with reported links to Omega 7.
>
> 2. The [INS] officer stated that he had called [the FBI], but was told that nothing could be done as the responsible agent was away on TDY for an uncertain period of time. His call to [CIA] was prompted by the report of a meeting in Costa Rica within the month. We have confirmed that the [FBI] agent is indeed away for an unspecified period of time and that he is the only one who could act on this matter.
>
> 3. In view of para[graph] 2 above, is there anything that should [be done] with the information reported in para[graph] 1? The [INS] officer described his informant as quite reliable, although he has no independent means of verifying the informant's information. Both the [INS] officer and his informant are available to provide further information if needed.

624. **CIA Response to Allegations of Drug Trafficking.** An October 1982 Headquarters cable responded to the October report and request for advice by stating:

> 1. If there is good reason to believe that the allegations contained in para[graph] 1 . . . . may have some basis of fact, [Headquarters] would be interested in investigating them further. Request . . . . recontact [with] the [INS] officer in order to attempt to determine the following information:
>
> A. An evaluation of the [INS] source's access to this information. Did he learn it from direct involvement with the individuals named or from a third source? [Please] provide identity of source if available.
>
> B. Is the date mentioned in the last sentence of para[graph] 1 . . . (11 October 81) correct, or did the source mean 1982?
>
> C. Can the source provide any additional details regarding the alleged meeting to take place in Costa Rica? We would be interested in knowing who is scheduled to attend and under what auspices it is to be held?
>
> . . . .

625. In a November 1982 cable to CIA Headquarters, a response stated:

> 1. While the thread of activities reported in [the October 1982 cable] and in this message leads abroad and involves several aspects of intelligence interest, in responding to [Headquarters] request for information we are discussing the alleged activities of several U.S. persons and verging on reporting of information which is more properly in the purview of U.S. law engorcement [*sic*] agencies. In drafting response to this message, request [Headquarters] comment on this aspect of our reporting so that we may provide all useful assistance within the limits of our charter re[garding] U.S. persons.
>
> . . . .
>
> 3. According to the [INS] source, the UDN/FDN meeting in Costa Rica is scheduled to take place within the next three weeks. It was implied to [INS] source that the meeting will be a harbinger of future violence (no further information). Although the meeting is supposed to be secret, cameras will be allowed at the meeting. . . . The following also are expected to attend:

UDN:
Bergman Arguello Galo, . . . ; applicant for political asylum;
Eden Pastora, "Commandante Zero";
Eduard Jose Sacasa-Urouyo, . . . ; applicant for political asylum;
Jose Rolando Murillo, . . . ; applicant for political asylum;
and two U.S. persons.

FDN:
Renato Pena, . . . ; applicant for political asylum;
and three others named by [INS] source but believed to be U.S. persons.

. . . .

6. In separate contacts with [INS], representatives of the [specific U.S.-based religious organization] have mentioned the [organization's] involvement with anti-Nicaraguan government groups. INS does not know if [the organization's] representatives will be present at the Costa Rica meeting, although [INS] assumes that some [organization] representatives will attend. [INS] officer noted that recently, a group of [organization] members from Guatemala and the Dominican Republic was in Seattle in transit to Honduras.

7. The correct date for the San Francisco meeting sponsored by the Coalition for the Free World is 17 September 1982. Another meeting sponsored by this group is scheduled for 4 November 1982. Nicaraguan and [specific religious organization] groups are members of the coalition.

. . . .

626. In November 1982, CIA Headquarters replied in a cable that stated:

1. Appreciate follow-up information on the subject of alleged Nicaraguan exile activities. [Headquarters] is understanding of . . . . position in [paragraph 1 of November . . . , 1982 cable]. In light of the apparent involvement of U.S. persons throughout, agree you should not pursue the matter further. [Headquarters] will affect [*sic*] coordination as necessary with [FBI] on this case; assume [INS] will make this and any additional information on the subject available to [FBI] San Francisco.

. . . .

627. A November 1982 cable to CIA Headquarters reported that:

> 1. Per [the November 1982 Headquarters cable], we have contacted [INS] officer and asked him to ensure that [FBI] is kept advised of INS-acquired information on alleged Nicaraguan exile activities. [INS] officer stressed that he has offered the information to [FBI] several times, but has been rebuffed. He will try again, nevertheless.
>
> 2. Since [the other November 1982 cable], [INS] source offered additional information, which may be of interest to you: during the week of 1 November 1982, Eden Pastora flew from Tegucigalpa to San Jose, Costa Rica. Canadian Consul-General in Costa Rica was on the same plane and recognized Pastora. [INS] source has been told that Juan Savala is head of the UDN/FDN training camp in Costa Rica near Lake Nicaragua. . . . During a meeting held in San Francisco on 4 November 1982, a U.S. person known to be affiliated with the Cuban Independence Movement, CID, stated that Eden Pastora will split with the UDN/FDN because of its alleged [CIA] ties. On the other hand, Fernando Chamorro, known as "El Negro," wishes to make contact with CIA.
>
> 3. We will have no further contact with [INS] on this matter unless advised otherwise by [Headquarters].

628. No information has been found to indicate whether a meeting in fact took place in Costa Rica to discuss an exchange of narcotics for arms as described in the October 1982 cable. However, a November 1982 Headquarters cable discussed the alleged meeting and stated:

> 1. It is HQS opinion that much of information contained in [the October 1982 and November 1982 cables] simply does not make sense (i.e., UDN/FDN cooperation, need to obtain armament through illegal means, shipment of arms to Nicaragua, involvement with the [specific U.S.-based religious organization]). We see a distinct possibility that the [INS] source was either intentionally or unintentionally misinformed. However, since the information was surfaced by another [U.S. Government] agency and may return to

> haunt us, feel we must try to confirm or refute the information if possible. To best [anyone's] knowledge, have the [Contras] scheduled any meeting in the next few weeks? If so, what information do you have regarding the attendees? Do you have any other information which might relate to contents of [referenced messages].
>
> ....

629. A November 1982 response to Headquarters reported that:

> .... On 16 November, [Eden Pastora] has dispatched Carlos Coronel and Arturo Cruz, Jr. to U.S. for series of meetings, among them meeting with [FRS] supporters in San Francisco.

630. No record has been found to indicate that Headquarters was provided with any additional information in response to the November Headquarters cable. Nevertheless, CIA records do indicate that Cardenal was in San Jose, Costa Rica, from around October 30 or 31, 1982 until November 5, 1982 and again from around December 27 to December 31, 1982 for meetings with Contra leaders. No information has been found to indicate that these meetings pertained to any exchange of narcotics for arms. Moreover, no information has been found to indicate what contacts, if any, Cardenal may have had with representatives of the specific U.S.-based religious organization.

631. **Information Sharing with Other U.S. Government Entities**. A January 1981 cable from the Bureau of Alcohol, Tobacco and Firearms (ATF) requested that CIA provide ATF with "brief background info[rmation] and any derogatory information" regarding Cardenal from CIA files. According to the ATF cable, Cardenal "is believed to be involved in violations of U.S. criminal laws under jurisdiction of ATF."

632. In a February 1981 cable to ATF in response to the January 30 cable, CIA provided biographical information regarding Cardenal and included information that Cardenal "was in contact with a group of Nicaraguans who are preparing an invasion of

Nicaragua from Honduras and Costa Rica." The cable also referred the ATF to the FBI "for possible information on subject."

633. Moreover, a February 1981 CIA cable to ATF in response to "your telephonic request dated 17 February 1981" informed ATF that:

> ....
>
> 2. The files of the Directorate of Operations contain no additional information which would aid in the assessment of subject. Furthermore, this Directorate has no interest in Cardenal whatsoever.

634. In a March 23, 1981 cable to CIA, the FBI reported that it was:

> ... conducting a sensitive Neutrality Act investigation which may involve a Nicaraguan national, Francesco [*sic*] Jose Cardenal and an American citizen. Also possibly involved are two groups, the Nicaraguan Democratic Union and the Nicaraguan Armed Revolutionary Forces, both believed to be headquartered in Nicaragua with possible ties to the United States.

In its cable, the FBI requested that CIA furnish it with any information from its files pertaining to the two individuals and groups.

635. A March 1981 CIA cabled response provided the FBI with the same information that had been provided in February 1981 to ATF. The cable also included information that Cardenal had been unsuccessful in an attempt to obtain weapons and financial support from the El Salvador Government. Moreover, the cable stated that:

> ....
>
> 3. This Agency has no information on [the American citizen].
>
> 4. It is suggested that the Department of Treasury/ATF and the Department of State be queried for information on the

> Nicaraguan Democratic Union, the Nicaraguan Armed Revolutionary Forces (FARN) and for additional information on Cardenal.

636. In an April 1981 cable to CIA, the FBI reported that it was involved in a "pending investigation concerning possible violation of the Neutrality Act by Jose Fransesco [*sic*] Cardenal and others." According to the cable, the FBI--citing the information that CIA had provided in the March 25 cable--reported that a consensually monitored conversation had taken place between Cardenal and "a private individual cooperating with this Bureau" and that:

> The FBI feels this [conversation] may refer to your information, and your Agency should be aware the above conversation becoming [*sic*] public record if prosecution is forthcoming. The cooperation and the individual's identity will become public inasmuch as he/she has agreed to testify.

637. In its August 23, 1982 cable response to CIA, the FBI reported that:

> Jose Francisco Cardenal was the subject of an FBI Neutrality Act investigation in 1981. He was allegedly involved in the recruiting of personnel to participate in a military coup to overthrow the current Nicaraguan Government. In August, 1981 [*sic*] evidence collected on Cardenal was presented to the U.S. Attorney's Office for possible prosecution. Based on the facts presented, it was determined that there was insufficient evidence to proceed with prosecution.
>
> This Bureau has presently discontinued its investigation. We have no additional pertinent information not already known and/or in your possession.

638. In a memorandum to CIA dated March 8, 1985, the FBI requested a "name check request" on Cardenal. A March 1985 CIA cable to the FBI provided biographical information regarding Cardenal and information that Cardenal had been--according to an undated March 1983 report--organizing "the Nicaraguan insurrectional front to mobilize popular support against the Sandinistas in Nicaragua." In addition, the cable stated that Cardenal

"has shown a disregard for security by indiscriminately divulging details of confidential information."

639. ***Bergman Arguello Galo:*** **Background.** According to the October 1982 cable, an INS informant described Arguello as a UDN representative who was to attend a secret meeting in Costa Rica to discuss a narcotics for arms exchange. Moreover, the November 1982 cable indicated that Arguello was the individual who had discussed the purported narcotics for arms exchange.

640. **Information Sharing with Other U.S. Government Entities.** According to a February 11, 1983 memorandum from CIA's OGC to the INS regarding Arguello:

> The Agency requests that you arrange for an asylum interview for the subject [*sic*] in your Miami District Office, on an immediate basis. We ask that the interview be conducted during the week of 14 February 1983.
>
> It is our understanding that the subject has already submitted an application. On the chance that he has not, or that it cannot be located, we will instruct the subject to obtain new forms, complete them, and bring them to the interview.
>
> Thank you for your attention to this matter.

641. No information has been found to indicate any INS response to the February 11 OGC memorandum. An INS Biographic Information Form G-325A signed by Arguello on "10-11-84" included a notation under "Other Agency Use" that stated "No Derogatory Information" and the date "14 Jan 85."

642. On March 18, 1983, CIA requested that the FBI conduct "priority traces" on Arguello. A March 30, 1983 CATF memorandum from the FBI stated that " . . . FBI has no record on [Arguello]."

643. ***Eden Pastora:*** **Background.** Eden Pastora is described in the November 1982 cable as a UDN representative who was to attend the secret meeting in Costa Rica regarding an exchange of narcotics

for arms. No information has been found to indicate that Pastora attended such a meeting, although the November 1982 cable discussed earlier indicated that Pastora flew from Tegucigalpa, Honduras, to San Jose, Costa Rica, "during the week of 1 November."

644. ***Eduardo Jose Sacasa-Urouyo:*** **Background.** "Eduard" Sacasa was described in the November 1982 cable as a UDN representative who was to attend the secret meeting in Costa Rica regarding an exchange of narcotics for arms. CIA records indicate that an individual named Eduardo Sacasa-Urouyo was associated with the UDN during the 1980s and was a close associate of Fernando Chamorro. Other than the November cable, no information has been found to link Sacasa with drug trafficking.

645. ***Rolando Murillo Escobar:*** **Background.** Murillo was described in the November 1982 cable as a UDN representative who was to attend the secret meeting in Costa Rica regarding an exchange of narcotics for arms. No other information has been found to link Murillo with drug trafficking.

646. **Information Sharing with Other U.S. Government Entities.** According to a March 1983 CIA cable to the FBI that requested information in FBI files regarding Murillo, Murillo was described as "a former member of the Nicaraguan National Guard and former resident of the San Francisco area." Murillo reportedly was living in Costa Rica, according to the cable. A memorandum dated March 30, 1983 stated that "FBI has no record on subject."

647. ***Juan Savala/Zavala Mora:*** **Background.** Juan Savala was described in the November 1982 cable as "head of the UDN/FDN training camp in Costa Rica" where the INS informant claimed the secret meeting would take place to discuss an exchange of narcotics for arms. The November cable did not, however, indicate what role--if any--Savala would play at the meeting.

648. CIA records indicate that a "Juan Zavala Mora" was a member of the UDN during the 1980s and was a close friend of Fernando Chamorro.

649. No other information has been found to indicate that Savala/Zavala was suspected of drug trafficking or that he was related to--or otherwise linked to--Julio Zavala who, in 1983, was arrested in connection with The Frogman Case in San Francisco.

650. ***Roger J. Ramiro:* Background.** According to the November 1982 cable, Ramiro was described by INS as a "known narcotics violator who recently was indicted on a narcotics charge in Orange County, California." As reported in the cable, Bergman Arguello had "mentioned" Ramiro's name in connection with the alleged narcotics for arms exchange. No information has been found to link Ramiro with drug trafficking.

651. ***Renato Pena Cabrera:* Background.** Pena, a convicted drug trafficker, was described in the November 1982 cable as an FDN representative who was to attend the secret meeting in Costa Rica regarding an exchange of narcotics for arms.

652. Renato Pena says that he associated with Norwin Meneses. Pena also claims to have participated in Contra-related activities in the United States from 1982-1984 that were unrelated to his drug trafficking activities. Pena says that he served as an official, but unpaid, representative of the FDN political wing in northern California from the end of 1982 until mid-1984, having been appointed to that position by Edgar Chamorro. According to Pena, his duties on behalf of the FDN were related to public relations and distributing Contra-related literature to sympathizers. He claims that his activities on behalf of the FDN were all conducted in the United States and that he never traveled outside of the United States because of his immigration status as a political asylum applicant. Pena says that Norwin Meneses had Contra-related dealings with FDN official Enrique Bermudez. According to Pena, the specific U.S.-based religious organization that was allegedly involved with the Contras and drug trafficking was an FDN political ally that provided only humanitarian aid to Nicaraguan refugees and logistical support for Contra-related rallies, such as printing services and portable stages.

653. Pena says that his personal drug trafficking activities were unrelated to the Contras, but claims that the Contras must have had alternative sources of funding since the money that the Contras received from the U.S. Government was "peanuts." Pena says that a Colombian associate of Meneses's named "Carlos" told Pena in "general" terms that portions of the proceeds from the sale of the cocaine Pena brought to San Francisco were going to the Contras. According to Pena, "Carlos" said something to the effect that "we are helping your cause with this drug thing . . . we are helping your organization a lot." Pena said "Carlos" did not provide him with any further information. "Carlos" has not been identified.

654. Pena says that, when he was removed from his FDN position in mid-1984--possibly because Contra officials suspected him of drug trafficking--and replaced by a U.S. citizen, he was appointed to be the "military representative" to the FDN in San Francisco. He says this appointment occurred "in part because of Norwin Meneses's close relationship with [Enrique] Bermudez."

655. The FDN representative in San Francisco who replaced Pena--who is a naturalized citizen who immigrated to the United States from Nicaragua in 1963--was active in Contra-related affairs in San Francisco during the 1980s. He says he first became involved with the Contras after an early 1980s visit to San Francisco by Contra leader Fernando Chamorro in which Chamorro asked for volunteers to support anti-Sandinista activities. On July 23, 1986, he says he was appointed to be the official FDN representative in San Francisco. Prior to his appointment, he says the FDN did not have an officially authorized representative in San Francisco. In 1986, the FDN opened an office at the Flood Building on Market Street in San Francisco with $5,000 provided by the FDN office in Miami. However, the office was closed some six months later because it was too expensive to maintain.

656. The FDN representative in San Francisco who replaced Pena says that the Nicaraguan community in San Francisco was poor and the Sandinistas had considerable support there. "San Francisco was a Sandinista town," he asserts. He states that the net amount of

funds raised for the Contras from the San Francisco community throughout the years was about $5,000. According to the FDN representative, the Contra support movement did not even have sufficient funds to sustain a mailing of brochures and other correspondence. He adds that people did not want to be on a list of Contra supporters for fear that the list would fall into the hands of the Sandinistas and cause difficulties for them or their families. As he recalls, the FDN did, however, make several radio announcements on local Spanish language radio stations. He says that membership in the San Francisco FDN was handled informally. Individuals who wanted to support the FDN could just attend meetings, dinners and participate in other related events.

657. The FDN representative who replaced Pena says his activities on behalf of the Contras in San Francisco consisted primarily of helping to coordinate Contra fund raising dinners and meetings. He says he often used his personal funds as security deposits at the hotels and other locations where these functions were to be held. On one occasion, he says he made up an $1,800 shortfall out of his own pocket when a catered dinner at a local restaurant or hotel was under-subscribed.

658. The FDN representative in San Francisco who replaced Pena says Renato Pena was not the official FDN representative in San Francisco, having never been appointed by the FDN directorate to any position. Instead, he says Pena was the self-appointed representative for the "military section" of the FDN. He says he learned of Pena's drug-related arrest six months after it occurred. He says some people in the FDN in San Francisco were critical of Pena and did not want Pena to continue his association with the movement after the arrest. However, Pena was never formally expelled from the FDN. According to Pena's successor, Pena sublet an office in San Francisco from drug trafficker Danilo Blandon's sister. Blandon's sister attended some FDN meetings in San Francisco.

659. The FDN representative in San Francisco who replaced Pena believes that drug trafficker Norwin Meneses probably knew

Enrique Bermudez since Meneses's brother and Bermudez had been senior Somoza officials. He says he met Norwin Meneses "a couple of times" when Meneses attended FDN support meetings in San Francisco. However, Meneses was never a member of the FDN, and he says he does not know whether Meneses provided funds, goods, or supplies to the Contras. He says he usually recognized most of the persons at the FDN meetings, since most of them lived in the community. He says he noticed when new persons or strangers attended the meetings, commenting that "Sandinistas probably also attended" the meetings. Average attendance at an FDN meeting, he says, might be 10 to 15 persons.

660. The FDN representative in San Francisco who replaced Pena says he has no knowledge that Contra organizations--or individuals acting on behalf of the Contras--engaged in drug trafficking. However, he comments that "People that did [engage in drug trafficking] may have been taking advantage of the revolution--that is my opinion."

OTHER INDIVIDUALS INVOLVED IN THE CONTRA PROGRAM

WHAT DRUG TRAFFICKING ALLEGATIONS WAS CIA AWARE OF, AND WHEN, INVOLVING OTHER INDIVIDUALS SUPPORTING THE CONTRA PROGRAM? HOW DID CIA RESPOND TO THIS INFORMATION, AND HOW WAS THIS INFORMATION SHARED WITH OTHER U.S. GOVERNMENT ENTITIES?

Ivan Gomez

661. **Background and Relationship with CIA.** The individual who was known by the alias "Ivan Gomez" was at various times a CIA independent contractor, spouse of a CIA employee, and a rejected applicant for staff status. Gomez was an Independent Contractor for Latin America (LA) Division by June 1982.

662. According to a September 1982 cable from Headquarters, Gomez returned to Central America on permanent assignment in September 1982 and continued to work as a trainer, coordinator and general liaison to ARDE and related groups.

663. A January 1983 cable to Headquarters described Gomez' ability to engage with others, his effective reporting and his hard work. The Station cable, however, also raised concerns that Gomez was too close to ARDE.

664. By the fall of 1983, the problem of Gomez' close ties to Pastora and ARDE that had been mentioned in the January evaluation of Gomez became an issue. An October 1983 Headquarters cable noted that:

> . . . we have become concerned over indications of a loss of objectivity and increasing signs of "clientism" on the part of [Gomez] toward [ARDE] and [Pastora] in particular . . . . [w]hile his own performance to date has been of extraordinary value . . . it is

> absolutely necessary for us to ensure the strictest clarity and accuracy in our reporting on and communications with the [ARDE].

665. According to a September 1984 Headquarters cable, Gomez was under consideration for reassignment in the fall of 1984. This was in part because there had been reports that he was on a Sandinista target list for assassination. In October 1984, he was reassigned to another country where he served for the next two years and received favorable performance evaluations.

666. In May 1986, Gomez married a CIA staff employee. As a result, CIA decided that he could no longer continue to serve in the field.

667. A March 1987 Headquarters cable discussed Gomez' future employment with CIA as a result of his marriage to a staff employee. The cable stated that Gomez had been nominated to a career officer program. His file had been reviewed and it was wished to pursue additional processing, including questioning by Security. The cable further noted that his questioning by Security was scheduled for March 1987.

668. An undated document concerning Gomez's FY 1988 activities that was prepared, probably in September 1987, noted that CIA was continuing to pay his salary "until such time as he is either picked up by another Agency component or is terminated." According to a similar undated document for FY 1989, Gomez' relationship with the CIA ended on March 31, 1988.

669. The Security/Counterintelligence section of an undated document for FY 1989 concerning Gomez, probably written in August or September 1988, noted that Gomez' use in Central America:

> ended in late May 1987 after he married an Agency employee and subsequently initiated processing for U.S. citizenship. Efforts were made to use [Gomez] in other Agency programs; however, he was unable to [provide credible answers regarding drug trafficking].

> Consequently, [Gomez] was amicably terminated effective
> 31 March 1988.

670. A CIA officer reported having met with Gomez socially on December 20, 1989 in the United States and that Gomez was bitter and unhappy about his termination from CIA and was threatening to take his complaint to President George Bush. The CIA officer also reported that Gomez had outlined a plan to expose the identity of CIA personnel serving abroad.

671. In 1992, Gomez reportedly claimed he had information about a weapons shipment and was put in touch with a CIA officer. The officer observed that Gomez "seemed reluctant to meet with him. Gomez reportedly advised that he still harbored bad feelings regarding how and why his relationship with CIA was terminated." A March 1992 Headquarters cable instructed cognizant CIA officers to have no further contact with Gomez.

672. **Allegations of Drug Trafficking.** In conjunction with his marriage to a CIA officer and possible employment by CIA as a staff officer, Gomez underwent a number of polygraph examinations in 1986-1988. During a March 1987 polygraph examination, Gomez stated that in March or April 1982, prior to his employment with CIA, he had provided some assistance to family members engaged in drug trafficking and money laundering in the United states. In the first instance, he had written a check, in exchange for cash, for a cousin who was traveling from the United States to Latin America. Gomez said he believed the cousin was a drug money launderer, but did not believe he was engaging in a money laundering operation by writing the check. In the second instance, Gomez said that a brother who lived in Miami was a drug trafficker and had asked his brother-in-law to transfer some cash from New York to Miami. Gomez accompanied his brother-in-law to New York, where they picked up a bag containing $20,000 to $22,000 in cash and transported it to Miami. Gomez said that, at the time, he told his brother-in-law that "this was probably drug money." Gomez' response as to whether he had aided his brother in his trafficking activities and whether he had

been involved in trafficking after he began working for CIA were in doubt.

673. Gomez was subjected to another polygraph examination by CIA in April 1987. According to that report, Gomez changed his story somewhat concerning the bag of cash he had reported obtaining in New York for his brother:

> [Gomez] increased his estimate of cash from somewhere between $30,000 to $40,000. [Gomez] indicated he and [his brother-in-law] met an individual who was identified by the wearing of a yellow jacket. This individual then approached [them], struck up a conversation, and then provided the cash to [Gomez]. During later discussion of this incident, [Gomez] stated he knew this act was illegal at the time, but he consummated the act nevertheless. At the completion of [Gomez'] second session, testing in this area remained incomplete.

674. According to a March 1988 polygraph examiner's report, Gomez was subjected to another polygraph examination on two days in March 1988 as staff employment processing. During discussions with the examiner, Gomez reportedly said that his brothers had accumulated a business debt of about $2 million. According to Gomez, one had gone to Miami to run a money laundering operation for a group of drug traffickers to pay off the debt. Another handled the funds in Latin America. According to Gomez, when he visited his brother in Miami, Gomez saw that "his brother had many visitors whom [Gomez] assumed to be in the drug trafficking business . . . . However, . . . he never saw his brother either receive or distribute any drugs and/or money."

675. According to the March 1988 examiner's report, Gomez provided yet another account of his acquisition of cash in New York:

> [Gomez'] brother-in-law informed [Gomez] that [his brother] had requested that he pick up $30,000 in a bar in New York City. [Gomez] stated that he accompanied his brother-in-law to the bar whereupon the brother-in-law stayed in the car while [Gomez] entered the bar and made contact with the individual who was to turn over the money. This individual took [Gomez] to an

> apartment where he gave him $15,000 and offered him some cocaine. [Gomez] stated he refused . . . . [Gomez] shortly thereafter, began to work for this Agency. . . . In June 1982, . . . [His brother] was arrested for drug trafficking. [Gomez] stated he had not had any involvement in narcotic trafficking activities.

Based on the interview, the interviewer believes Gomez directly participated in illegal drug transactions, concealed participation in illegal drug transactions, and concealed information about involvement in illegal drug activity.

676. According to the March 1988 examiner's report, the examiner discussed the different reasons Gomez had provided for his brother giving him money, differing and conflicting ways Gomez had said money was raised for his brother's legal expenses, and the differing accounts of the story concerning the passing of the money in New York--the amount was $20,000 or $30,000 or $15,000; the brother-in-law went into the cafe with Gomez to meet the person making the exchange or the brother-in-law did not go into the bar with Gomez to meet the person; the passage of the money took place in the cafe/bar or in an apartment. According to the report, Gomez tried to dismiss these discrepancies as inconsequential. However, "when the examiner continued to question [Gomez], he suddenly stood up, thanked the examiner, shook his hand and said words to the effect, 'that's all' and walked out."

677. According to a March 1988 report of a CIA official who observed the March 1988 polygraph examination of Gomez, CIA was "especially concerned about any possible involvement with drug trafficking on the part of [Gomez]." The official's report also stated that "the impression was that [Gomez abruptly departed from the examination] because he was being questioned about drug activities which were unacceptably threatening to him, so he called it quits." The official's report concluded:

> the net impression . . . is that [Gomez] probably is concealing at least much more personal and direct involvement in drug smuggling than he can report . . . . The further impression is

> that . . . he probably never had any intention of revealing his true involvement in drug activity. . . .

678. The December 12, 1996 edition of the British newspaper, *The Independent*, commented on an Independent Television program that was being broadcast that night. According to *The Independent*, Carlos Cabezas, a convicted drug trafficker associated with Julio Zavala in the San Francisco Frogman Case, said:

> . . . he had met a CIA agent, Ivan Gomez, in Costa Rica who, he said, was there to make sure that all the profits went to the Contras and not into the back pockets of the drug dealers and smugglers. "They [not specifically identified] told me who he was and the reason he was there, . . . It was to make sure the money was given to the right people and nobody was taking . . . profit they weren't supposed to."

(Ellipses in original.)

679. Cabezas was interviewed twice in 1997 and initially stated that a man named Ivan Gomez was present at least once in 1981 or 1982 when Cabezas met with drug traffickers Horacio Pereira and Troilo Sanchez in Costa Rica to deliver funds derived from drug trafficking. Cabezas also stated that Gomez said he was with the CIA. According to Cabezas, Gomez participated in the meeting when Pereira and Sanchez discussed their drug smuggling activities on behalf of the Contras. Cabezas described Gomez as a Latin American, and, based on his accent, possibly from the Dominican Republic.

680. In the second interview, Cabezas provided more details concerning his reported meeting with Gomez. He said the meeting took place in either April or May 1982 at a hotel in San Jose, Costa Rica. Cabezas stated that both Pereira and Gomez told him that Gomez was "the CIA's man in Costa Rica" and that "Gomez was there to ensure that the profits from the cocaine went to the Contras and not into someone's pocket." Cabezas again said that Gomez appeared to be a native of the Dominican Republic. Cabezas gave a physical description of Gomez and said he would recognize Gomez if

he saw him again. Cabezas was then allowed to examine 16 photographs of Latin males. Cabezas identified one of the individuals in the photograph as being Gomez and a second person, who resembled the first, as also a possibility.

681. Two of the 16 photographs shown Cabezas were of Ivan Gomez. Neither was identified by Cabezas as being Gomez. Moreover, the physical description of Gomez that was provided by Cabezas was three to five inches in height, and 40 pounds in weight, different from Gomez' actual physical characteristics. In addition, Gomez is not a Dominican. According to CIA records, Gomez also was not in Costa Rica in May 1982 when Cabezas says the meeting with Pereira occurred there, but was in the Washington, D.C. area being interviewed by CIA for potential employment. Further Gomez was not hired by CIA until June 1, 1982, nor has any information been found to indicate that he traveled to Costa Rica prior to June 1982.

682. Finally, the name "Ivan Gomez" was not recorded as his alias, and the passport and employment letters necessary for use of that alias to travel to Central America were not provided to Gomez, until June 1982. According to a CIA officer helping process him for his assignment, Gomez had suggested another name--"Juan Gomez"--as his alias and that suggested name was submitted for processing by the officer. However, Gomez' unclear handwriting resulted in "Juan" being read as "Ivan" during the approval process. Therefore, Gomez was not even aware until June 1982 of the Ivan Gomez alias that CIA ultimately provided to him.

683. Cabezas mentions that he also saw Doris Salomon, wife of Julio Zavala, when he reportedly met Gomez at the Costa Rica hotel and that she was several months pregnant at that time. Salomon acknowledges that she stayed at that same hotel and did see Cabezas there and was pregnant with her son. However, the son was born in July 1981. In the spring of 1981 Gomez was still serving in the military of his home country.

684. Ivan Gomez says that his physical appearance never matched that given by Cabezas. He also says he has never stayed at the hotel in San Jose identified by Cabezas as the meeting site and that the name Carlos Cabezas is not familiar to him. He acknowledges that the name Ivan Gomez was not the name he picked for his alias and that it appeared as a surprise to him on his alias documents. Gomez confirms that he was in the United States in March-April 1982. Gomez says that a former lover of Pastora named Nancy[24] provided his name to the Sandinista newspapers.

685. Other public mentions of the name of Ivan Gomez appeared in the media prior to the 1996 and 1997 allegations by Cabezas regarding meeting Gomez in Costa Rica. For example, the name was included in the 1994 book *Hostile Acts: US Policy in Costa Rica in the 1980s* by Martha Honey, an American journalist. The book states, "the Agency . . . had a group of Costa Rican-based agents working directly inside Pastora's organization . . . . The head agent was Ivan Gomez, a Venezuelan . . . . "

686. **CIA Response to Allegations of Drug Trafficking.** Agency records include an undated, unsigned document describing the June 29, 1982 arrest of Gomez' brother. The document was not in an official form and was poorly typed on a sheet of newsprint paper. The charge against the brother was, according to the document, participating in a continuing criminal enterprise, and search warrants had "lead [*sic*] to arrest of 2 others and seizure of 2 [kilograms] of coke and $160,000." The document also stated that the brother had delivered 54 pounds of cocaine in 1982 to undercover agents of an unidentified law enforcement agency. The document appearing adjacent to this one in the file is dated August 26, 1982.

687. The CIA desk officer from 1981 until late 1984 who dealt with Gomez says that she had heard sometime in 1982 that Gomez' brother had been arrested for involvement with drugs. She comments that Gomez did not appear to make any effort to hide his

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[24] "Nancy" was an alias for Marieluz Guillen Serano, who was a Sandanista intelligence penetration of ARDE. She returned to Nicaragua after working at ARDE Headquarters and was used by the Sandinistas in a propaganda effort directed against Pastora, ARDE and CIA.

brother's arrest from CATF officers. It appeared to the desk officer, as she recalls, that several other Agency officers knew of the situation, but it fell into the category of a family problem and not one affecting Gomez professionally.

688. The desk officer also recounts a conversation she had with Gomez sometime prior to the end of 1984 in which she asked Gomez directly, "Did you know anything about your brother's drug activity?" According to the desk officer, Gomez reacted strongly to the question and indicated he had nothing to do with his brother, drugs, or the incident that led to his brother's arrest. Gomez reportedly stated to her that he had no intention of visiting or helping his brother. Gomez reportedly also told the desk officer that he did not want to see his brother and that he had fought hard not to be tainted by drugs.

689. An officer who participated in Gomez' interview for employment and later worked in CATF, says that he was aware that Gomez' brother had been arrested and convicted on narcotics charges. It is this officer's recollection that Gomez characterized his brother as "dumb" and said that he had a "disastrous lapse in judgment." The officer says he recalls that the charges against the brother may have related to a "money laundering deal" and adds that Gomez made no secret of his brother's arrest. The officer says he has no reason to believe that Gomez had anything to do with the brother's activities and expresses doubts that Gomez would have been personally involved in such activities. In any event, the officer says he did not believe that the brother's conviction was a factor relating to Gomez' suitability for CIA employment. Whatever responsibility there may have been for documenting the information regarding the brother, he says, would have rested with Gomez' CIA supervisors.

690. Gomez says that he told his COS about his brother's arrest when it happened. As Gomez recalls, he informed the COS while they were riding in an automobile.

691. Gomez says that the COS made no particular comment at the time, only that Gomez should not worry about the matter. Gomez says that he probably also told another operations officer and that he also told the Costa Rica desk officer and at least two other CATF officers. Nonetheless, according to Gomez, no CIA officers ever said anything to him about the situation involving his brother.

692. The former COS recalls Gomez telling him about his brother's arrest, but says he recalls that the brother was arrested for a visa or immigration matter. The former COS says that, if the brother had been arrested on a narcotics charge, "there is no way that I wouldn't have made it part of the record." He says he recalls that the narcotics aspect of Gomez' brother's arrest came up in 1986, and his recollection is that it was raised by Agency security personnel. He says:

> It is inconceivable to me that on hearing this information I--or someone else--would not put it on record. Why would I have covered it up? I would have no reason to do so. [Gomez] was an employee.

693. The person who was DCOS at about the same time recalls that he spoke only briefly with Gomez about his brother's arrest. No details were ever discussed, he says, and Gomez seemed very sensitive about the subject and did not want to discuss it. The former DCOS says that, when knowledge of Gomez' brother's arrest became known to the Agency, there was no thought of looking closer into Gomez' background because he was a strong performer and the allegations concerned his brother, not Gomez. The former DCOS says that he never knew Gomez picked up money for his brother in New York City that may have been drug related. He adds that the former COS was more closely involved with Gomez than either he or the Costa Rica desk officer.

694. The Agency's Office of Security (OS) prepared an October 1986 memorandum outlining information known about Gomez and Gomez' career with the CIA. The memorandum noted that "record traces on [Gomez'] immediate family members revealed possible hits

as possible drug traffickers and/or members of leftist organizations in [a Latin America country]." The memorandum also referred to trace results that identified one of Gomez' brothers as a drug trafficker, although the information appears to refer to a person who had a name similar to that of Gomez' brother but who was not related to Gomez. The memorandum also summarized information Gomez had furnished about the association of two brothers with narcotics trafficking during two 1986 Agency polygraph examinations that were part of the marriage review process.

695. The source of the information in the OS memorandum relating to Gomez' family may have been, in part, a November 1985 FBI document that reported information from an informant. The FBI informant reportedly said that the informant learned while he was incarcerated that two of Gomez' brothers were both money launderers and large-scale cocaine importers. One brother was identified by the informant as arranging for cocaine shipments with well-known narco-trafficker Roberto Suarez. The FBI document made no mention of Ivan Gomez. The FBI document was included in OS, but not DO, files. No information has been found to indicate that officers in the DO who were responsible for Gomez' management and administration ever saw the FBI document.

696. The polygraph examiner's report of Gomez' March 1987 polygraph noted that Gomez said he had attempted to "arrange a deal for his brother with U.S. authorities after his brother's 1982 arrest." According to the report, Gomez said that he discussed his brother's case with officials at the U.S. Embassy in his home country:

> In discussions with an agent of the . . . [Drug Enforcement Administration] at the U.S. Embassy . . . [Gomez] tried to arrange immunity for his brother in exchange for his testimony against DEA agents allegedly involved in narcotics trafficking.[25] Furthermore, [Gomez] stated that he discussed his brother's case with unidentified members of the Office of Security at the U.S. Embassy . . . . Finally, [Gomez] was told by unidentified

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[25] According to DEA, "These allegations were never substantiated."

> Headquarters personnel to stop pursuing the matter because he was "causing problems."

CIA personnel say they do not recall giving advice to Gomez to stop contacting U.S. Government agencies in an effort to help his imprisoned brother.

697. Gomez acknowledges that, after his brother was arrested, he contacted a U.S. DEA agent who was a good friend. Gomez says he asked the DEA agent whether his brother could volunteer to "help out," i.e., to cooperate with U.S. authorities. Gomez says the DEA agent called another one of Gomez' brothers, but Gomez says he does not know the details of that conversation. Eventually, the arrested brother decided not to cooperate because, according to Gomez, there were "lawyers in Miami" who said he would be killed if he did. Gomez also says that he may have told CIA officers that he was trying to put his brother in contact with DEA.

698. The DEA agent with whom Gomez says he spoke recalls that Gomez told him about the brother's arrest. According to the DEA agent, Gomez thought that his brother could be a potential source for DEA and asked the DEA agent to talk to the family. The DEA agent recalls meeting with another of Gomez' brothers and that he appeared to be making some headway in ascertaining the facts surrounding the arrest. However, a sister walked in and entered the conversation. She became hostile and said that they did not need any help. The DEA agent says he left and did not have any further contact with the family.

699. The DEA agent says he never learned the reason for the brother's arrest, and the family did not provide records of the arrest as the DEA agent had requested. Gomez' brother with whom the DEA agent met indicated only that the arrested brother had information that could be useful to DEA. The DEA agent could not remember whether he wrote a report concerning the contact with the brother, and says he did not contact the responsible DEA case agent. The DEA agent indicates that Gomez came from a good family that was not involved in drugs, except for the one brother. The DEA

agent says he spoke to Gomez about his confrontational meeting with Gomez' brother and sister and that Gomez never pushed for another meeting or assistance for his brother. The DEA agent states that the assistance requested by Gomez was not unusual, and most times some assistance can be rendered in such circumstances.

700. On May 20, 1987, an Employee Review Panel (ERP)[26] was convened to discuss Gomez and his wife. A May 20, 1987 memorandum describing this ERP was written by the representative of the Counterintelligence Branch of the OS Special Activities Branch who presented the case to the ERP. That memorandum indicated that the meeting was characterized by the chairman as a "fact finding" session and that the discussion was detailed. An attachment to the memorandum described the issues to be considered by the ERP as including Gomez' travel to New York to "pick up approximately $30-40,000 for [his brother]. . . ," The brother's arrest and Gomez' cousin involvement in "laundering drug money." The ERP recommended, according to the memorandum, that "if the opportunity arises to repolygraph [Gomez], he should be directly confronted with the issues of personal affiliation with drug activities . . . ." The question of whether a crimes referral should be made to DoJ was discussed and left for OGC action--an OGC representative was present at the ERP. The memorandum recorded that "CMS representative [the Chief of CMS, Gomez' former COS] noted that [there] is still interest in [Gomez] as [career] candidate and that his application might be reinitiated in June 1987."

701. The former Chief of CMS recalls that he did say at the ERP that there was still interests in Gomez, but notes that the memorandum describing the ERP may or may not accurately present the chronological order of the actual discussion at the ERP. He says:

> One could attribute to the memorandum the sense that [I] was fighting to keep [Gomez] on. That's not my style. Interest attenuated [in Gomez] in reality if it were going to be reported to

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[26] An ERP is an Agency group that is responsible for reviewing the conduct of Agency staff employees, not assets, and making employment, administrative, or disciplinary recommendations. It usually is used only for an employee in a trial period of employment.

> DoJ. We were not going to the bitter end to protect him. Foreshortening of these notes could give this impression. This was not my mindset.

702. In a June 26, 1987 memorandum to OS, the LA Division Chief commented on a briefing LA Division had received regarding Gomez' "difficulty" with his questioning by CIA Security. The memorandum stated that "it will be the policy of LA Division to not accept [Gomez] for any assignment to Latin America until . . . any additional security processing is favorably resolved."

703. A July 8, 1987 memorandum to the Chief of SAS from the supervisor mentioned previous in connection with Gomez, recommended several actions regarding Gomez. They included: no further polygraph examination until after Gomez' wife had completed her pregnancy period so as not to create "adverse stress on [Gomez] and spouse, affecting her pregnancy and possibly leading to miscarriage;" continuing Gomez' salary through February 1988, shortly after the birth of his child, while his wife was on Leave Without Pay; fund Gomez' language training in English; and polygraph Gomez after his wife's pregnancy in order to:

> . . . resolve all outstanding issues if possible. C/CMS wishes to clarify situation as it pertains to [Gomez], and future employment of spouse who also is due normal reinvestigation- sticky situation. . . . SAS should initiate action [for] further polygraph testing in early 1988 to resolve outstanding issues. If favorable results are obtained . . . and clarification of any prior narcotics activities are resolved, LA [Division] can then decide if in fact they desire to employ [Gomez].

The recommended actions were concurred in by the Ground Branch Chief, the SOG Chief, the SAS Chief, and the CMS Chief, who wrote, "Concur fully with this approach."

704. The former Chief of CMS says he does not recall specific discussions with the SAS supervisor, but notes that he and the supervisor were in regular contact concerning Gomez. In regard to the recommendation not to initiate action for another polygraph until Gomez' wife's baby was born, the former Chief of CMS says, "As I

recall, the conversations focused solely on [the wife's] medical condition. It was a difficult pregnancy." He says he was not thinking at the time in terms of "cutting our losses" and terminating the relationship with Gomez. Asked if he thought that Gomez would pass the polygraph at this juncture, the former Chief of CMS comments that "anyone with this depth of a problem, the likelihood of passing is not good." He says Gomez was continuing to receive his salary and his wife was on Leave Without Pay. He says he wanted to create every opportunity to clarify the situation.

705. The supervisor, in an undated MFR, reported that he and Chief of CMS met with Gomez and his wife on July 16, 1987. The meeting was to brief them on the plans to delay further polygraph testing until after the birth of their child and to sponsor Gomez' English language training. The memorandum noted that Chief of CMS:

> . . . reemphasized his intentions to reinitiate action with both OS and [Office of Medical Services], after the pregnancy period, to desensitize [Gomez] to any issues of concern and conduct the next polygraph sessions in Spanish language. It is hoped that a combination of OS and OMS efforts would favorably produce desired results.

706. The former Chief of CMS says that he recalls the July 16, 1987 meeting with Gomez and his wife.

> It was an extra step. There wasn't any other agenda. Here's a guy who worked directly for me. We owed it to him. I was directly involved as his former COS. It would not be seemly if I hadn't. I don't want [Gomez] to think when the going gets tough, the senior guy won't be there. I had been involved previously. It would have been very inconsistent if I hadn't continued.

707. The amendment to Gomez' contract providing for a termination bonus and a month's salary for each year of service was requested by the SAS SOG Chief on August 3, 1987 and approved by the EPS Chief on September 18, 1987. The request made no mention of the ERP recommendations, Gomez' possible involvement in his

brother's drug trafficking activities, or the problems Gomez was having passing the polygraph examination.

708. A September 1, 1987 cable to Headquarters submitted a Performance Appraisal Report (PAR) regarding Gomez. Gomez' Grade and Title were entered as "agent" and "covert action asset." The PAR gave Gomez an overall grade of "5," described as indicating "Performance occasionally exceeds the work standard and is good." The reviewing officer summarized Gomez' performance in the PAR by writing, "Subject is a dedicated, hardworking professional who contributed significantly to Station's overall intelligence mission." The PAR was identified as a "special request," but no information has been found to indicate that this PAR was requested by Headquarters. An undated, unsigned, handwritten note attached to the Headquarters copy of the cable noted, "Unusual to have PAR on asset."

709. A January 6, 1988 MFR written by an OS officer reported on a January 5, 1988 meeting to discuss further polygraphing of Gomez. Attending the meeting were the then-DO Grievance Officer who had attended the May 20, 1987 ERP and who worked in CMS; the SAS supervisor; and the SAS desk officer who supported the surrogate operations officer program. The memorandum recorded that supervisor and the SAS desk officer:

> . . . stated that they are desirous of finding suitable Agency employment for [Gomez] outside of SAS. They feel that [Gomez] has shown extreme dedication and courage in his work with SAS . . . they also understand that [Gomez] walked out on his last polygraph test and that he had admitted to two instances of assisting in the laundering of drug money in the United States.

710. A February 19, 1988 OS MFR noted that the LA Division Chief was asking for a memorandum that summarized Gomez' polygraph admissions. The OS officer wrote, "Apparently, C/CMS is trying to get LA Division to sponsor [Gomez] for Agency employment, which the LA Division Chief does not want to do." The memorandum also noted that another OS official had advised that LA Division should be told that:

> [the LA Division Chief should look to C/CMS/DO for information in the case, as [Chief of CMS] had been fully briefed. If [the LA Division Chief] wanted to talk with someone else, he may want to discuss the case with [the DO Grievance Officer] . . . .

711. The former Chief of CMS confirms that he was trying to have LA Division sponsor Gomez for Agency employment. He says that the February 1988 OS memorandum reflected the position he had consistently taken regarding Gomez. He explains his general view of the Gomez situation in the following way:

> In light of the 1997 context, I'd do things differently. Strictly speaking, the situation with his brother makes [Gomez] an accessory. This was a high risk, dicey, fuzzy situation. [Gomez] was a guy who served [CIA] well. He was loyal to us. I was supportive of him throughout. My view was: Let's get to the bottom of this--whatever was bothering him on the [polygraph]. And let's salvage a good officer. What comes across now is the lack of focus on the legal aspects. I wasn't alone, obviously. It is a striking commentary on me and everyone that this guy's involvement in narcotics didn't weigh more heavily on me or the system. We were looking more heavily on this officer's contribution than this incident, accidental or not.

He points out that his characterization of Gomez as "an accessory" is "from a lay perspective, since I am not an attorney."

712. **Information Sharing with Other U.S. Government Entities.** ***Potential Referral to DoJ.*** During the May 20, 1987 ERP that was convened to discuss Gomez and his wife, the OS representative, according to the May 20, 1987 memorandum regarding the ERP, "voiced strong sentiments that the drug related information [concerning Gomez] should be passed to the Department of Justice regardless of the legal requirement, or lack thereof." In response, "the OGC representative requested a written referral in order to initiate possible passage to DOJ." The memorandum also stated that Gomez:

> . . . has never been an employee of this Agency. He . . . is currently working as a[n] Independent Contractor; but he has never had a Contract External clearance. [Gomez'] employment status has been a matter of interest to OGC and the issue of required passage to DOJ hinged on this status (there is now no apparent requirement to pass to DOJ either in true name or as a John Doe). . . . It is recommended that a Memorandum for the Record be routed to OGC for their interest and final decision on passage of pertinent information to DOJ.

(Underlining in original.)

713. The former Chief of CMS says that he does not specifically remember the OS representative saying at the ERP that Gomez' narcotics-related activity should be reported to DoJ. The former Chief of CMS states:

> the issue of getting DoJ involved seems perfectly logical, reading through [the record regarding the ERP]. My reaction now is that [the OGC representative's] view that Gomez is not technically an employee and therefore reporting may not be required is slicing it pretty thin. With today's standards, yes we should report it [to DoJ].

He does not recall seeing a document in response to OGC's request at the ERP for a written referral. He says that his recollection is that the alleged violation was referred to DoJ.

714. A June 12, 1987 memorandum from the Deputy Director for Personnel Security, to the OGC lawyer who had attended the May 20 ERP, outlines Gomez' "association with the Agency and his admissions of possible criminal activity." The OGC attorney addressed the question of reporting information concerning Gomez to DoJ in an August 20, 1987 memorandum for then-Associate Deputy General Counsel for Administrative Law and Management Support Gary Chase. The memorandum requested Chase's concurrence with the OGC attorney's recommendation that the information concerning Gomez not be reported to DoJ. In the memorandum, the OGC attorney reasoned:

> While [Gomez] could be guilty as a principal, accessory after the fact, or of conspiracy if he knew the money was part of a drug transaction, we have no evidence that he did know that critical fact. While the receipt of $35,000 cash in a paper bag should have (and probably did) raise his suspicions, I do not feel that the information available to us is sufficient to provide a basis for inferring criminal intent. The offense that might be involved, moreover, is not a non-employee offense required to be reported under the procedures [established by the 1982 Memorandum of Understanding (MOU) between DoJ and CIA regarding reporting of potential crimes]. (Although [Gomez] . . . has . . . been an independent contractor, he has never been an "employee" as defined in the [DoJ-CIA MOU]).

On August 11, 1987, Chase concurred with the OGC attorney's recommendation, adding a note that his concurrence was "pursuant to delegation from the General Counsel of 25 June 1986 . . . ."[27]

715. The OGC attorney says that he believes that the standard at the time was properly applied. Gomez, as an Independent Contractor, was not an "employee." Therefore, whether a possible crime involving him should be referred to DoJ was covered by the non-employee portion of the 1982 DoJ-CIA MOU. Under that portion of the MOU, he says, this information regarding a possible narcotics violation was not required to be reported.

716. The OGC attorney also comments that, at the time, OGC carefully reviewed cases to determine whether all elements of a crime were present as part of the consideration of whether to refer a matter to DoJ. Now the practice is to refer most matters and let DoJ make such determinations.

717. Chase explains that the General Counsel had delegated authority to him to make crimes referral decisions and that Chase's signature noting his concurrence with the OGC attorney's recommendation reflected Chase's approval of the decision not to refer the matter to DoJ. Chase, commenting on the OGC attorney's

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[27] August 20 appears in three places as the date of the memorandum, two typed and one stamped. The concurrence date of August 11, nine days prior to the date of the memorandum is handwritten along with Chase's signature.

memorandum, agrees that Gomez did not meet the criteria of an "employee" and that the offense in question, a possible narcotics violation, was not a reportable offense under the section of the 1982 DoJ-CIA MOU on crimes reporting that dealt with non-employees. Chase opines that, therefore, there was no obligation to make a report to DoJ. Chase further notes that he does not view the conduct by Gomez that was described in the OGC attorney's memorandum as the kind of issue that should be rushed to DoJ. He notes that the incident in question had occurred five years prior to the date of the OGC attorney's memorandum, and the statute of limitations may have played a role in his decision not to refer the matter to DoJ.

718. Chase, concerning the discussion in the OGC attorney's memorandum of Gomez' intent, says that whether intent is a factor in making a crimes referral depends on the specific potential crime and that specific intent crimes would require an intent finding. Chase states that the OGC attorney must have believed there had to be some kind of intent in order for there to be a crime. Chase says that transporting money, unlike transporting drugs, is not illegal on its face. Chase says, however, that he thinks the intent element might have been overemphasized in the OGC attorney's memorandum because OGC should only be interested in reporting facts in a crimes referral.

719. No information has been found to indicate that the OGC attorney/Chase memorandum was ever distributed to the ERP members. The OGC attorney says that the crime referral itself was not an ERP issue, since that group focuses on employee actions. In retrospect, the OGC attorney says it "might have been wise to see that the ERP got a copy."

720. ***FBI Trace Request.*** A May 19, 1989 cable to CIA from a Supervisory Special Agent in the FBI's Counterterrorism Section requested the status of traces the FBI had requested from CIA concerning Ivan Gomez on April 14, 1989. The May 19 cable was directed to the External Inquiries Branch in the DO's Information Management Staff (IMS) for action.

721. A June 28, 1989 cable to CIA from another Supervisory Special Agent in the FBI's Counterterrorism Section requested trace information and "all information contained in your files" regarding Ivan Gomez. The responsibility for responding to the cable also was assigned on June 28, 1989 to the External Inquiries Branch in the DO's Information Management Staff.

722. A June 30, 1989 letter to the CIA's Deputy Director of Security from the Chief of the FBI's Counterterrorism Section requested "all information contained in your files" concerning Ivan Gomez. An August 30, 1989 letter from the Chief of the FBI Counterterrorism Section to the Deputy Director of OS requested a response to its June 30, 1989 letter for all information in CIA files on Gomez. A handwritten note appears in pencil in the margin that "FBI-reviewed file on 14 June."

723. A handwritten October 31, 1989 note to the Information Management Staff from a Special Assistant to the Associate DDO for Counterintelligence states, ". . . enclosed is the correspondence with FBI indicating we had 'no record' on [Gomez]. . . ." Subsequently, however, the Chief of the IMS Information Services Group, Information Research and Retrieval Branch wrote to the Chief, Information Services Group on November 2, 1989 and explained that the traces on Gomez for the FBI had been done by a person who had previously worked in the section, but was now helping with traces on an overtime basis. The memorandum noted that the search for records relating to Gomez had been conducted in at least one instance by his given name, not his surname. This reportedly explained why the Agency had produced a "no record" response to the FBI. The memorandum commented that the "consequences of missing a record for . . . the FBI . . . could be particularly severe" and, therefore, "effective immediately, all FBI material will be handled by full-time . . . staffers. As individuals who work with name tracing . . . full-time staffers . . . generally have a sharper sense for the accuracy of results . . . . "

724. A November 1, 1989 memorandum from the OS, Special Activities Division, Special Investigations Branch to the Special

Activities Division Chief described an interview of Gomez' wife concerning his activities. The memorandum indicated that OS officials had met with FBI agents on June 14, 1989 and:

> The FBI advised that they were aware of the fact that [Gomez] had worked for the Agency but that they had not traced him until May 1989.

The OS memorandum noted that OS had provided the FBI with an oral "summary of the security issues affecting" Gomez. According to the memorandum, "The FBI was, prior to this point, unaware of the fact that [Gomez] left the Agency under less than favorable conditions, that he had a brother convicted in federal court on felony drug charges or that [Gomez'] family was involved in the drug trade."

725. According to the November 1 OS memorandum, an additional meeting between OS and FBI officials and also Gomez' wife had reportedly been held on July 31, 1989. The FBI acknowledged that the June 30 FBI trace request had been initiated as a result of the June 14, 1989 meeting with OS and that:

> . . . no reply was necessary as the requested information was passed on 14 June 1989 . . . . On 30 August 1989 the FBI sent a trace request referencing the 30 June 1989 request . . . . Contact with the FBI Supervisory Agent . . . confirmed that the 30 June 1989 and 30 August 1989 traces request [*sic*] were for information already received in the 14 June 1989 meeting and were merely formalities. [The Supervisory Agent] advised that no new requests were being made and that it appears to be a clerical error in sending the follow-up request.

726. An October 26, 1989 CIA cable to the FBI's Counterterrorism Section states that Gomez:

> . . . served for the CIA . . . . from 1983 to 1988 when he was terminated amicably. During Subject's polygraph, [the results] precluded his continued use by this Agency. . . . FBI agent[s] . . . reviewed all available information on [Gomez] on 14 June 1984.

> The Office of Security reiterates that all available background on Subject has been made available to your [Headquarters].

727. A November 13, 1989 OS letter to the Director of the FBI, for the attention of the Intelligence Division, confirmed that "all information contained in our files concerning" Gomez was provided to FBI Special Agents "in a meeting that occurred on 14 June 1989. Subsequent contact with these Agents disclosed no additional requests for information."

728. No information has been found to indicate that information relating to possible involvement in drug trafficking by Ivan Gomez was provided to the Congress by CIA.

A CIA Independent Contractor

729. **Background and Relationship with CIA.** A January 1983 cable to Headquarters first brought this future CIA independent contractor to the attention of CIA. An overseas DEA office had reportedly informed the CIA that he, a principal informant in a major U.S. drug case, had finished his work for DEA and wanted to work for the Agency. The cable described him as recommended highly by DEA. It also noted that he had spent three years in prison in connection with membership in an insurgent organization and that he had been "involved in narcotics-related affairs" after his release from prison.

730. A March 1983 cable described this independent contractor's previous activities. It reported that he had been sentenced to a long prison term for plotting against the State, insurgency, use of false documents, desertion, stealing military property, being commander of a group of armed insurgents, and destroying public buildings with explosives. He was not convicted of an additional charge of assassination. He served, according to the March 1983 description, six years of his sentence and was the beneficiary of an amnesty.

731. A March 1983 request by a CIA officer to employ him noted that he had told the Agency that he became aware, as a private businessman in Latin America in 1980, of guerrilla groups using profits from drug trafficking to buy weapons. He claimed to have decided to conduct his own investigation of these activities. He said he had thereafter become the associate of a major drug trafficker and made four or five trips to Miami in 1980 to relay arrangements for various drug deals. In the fall of 1980, he had reportedly accompanied a group of traffickers moving drugs to Miami. He also claimed to have subsequently sought employment outside Latin America, where he initially contacted DEA and provided information on the drug trafficking with which he had been involved. He also later testified in a U.S. court against the leader of the group. In

addition, he claimed that he was under the impression that DEA would offer him a job after he had given his testimony. Instead, he was provided a monthly stipend by DEA. The March 1983 description made no comment about his drug trafficking activities, except to note that there was no reason to doubt they occurred.

732. A November 1983 cable stated that this independent contractor had been on a CIA mission in July and August outside of Latin America and that he was then deployed to Central America where he would be used for the foreseeable future.

733. The contract officer was reassigned within Central America in 1986, but Headquarters was informed of insubordination on his part, and he was again reassigned. In early 1987, after questioning by CIA Security, CIA concluded that the contract officer probably was not fully cooperating and by early March 1987, his employment had been terminated.

734. **Allegations of Drug Trafficking.** No information has been found to indicate that any allegations were received by CIA of drug trafficking by this independent contractor during the time he was employed by CIA.

735. **CIA Response to Allegations of Drug Trafficking.** The only information that appears to have been available to CIA concerning this independent contractor's involvement in drug trafficking related to his activities in the early 1980s, before he was brought to CIA's attention. The information regarding those activities that was provided by DEA, in addition to the further details offered later by the independent contractor, himself, was evaluated at the time that CIA established its relationship with him in March 1983. No information has been found to indicate that the Agency took any steps to collect further information or investigate his involvement in drug trafficking prior to his relationship with CIA.

736. **Information Sharing with Other U.S. Government Entities.** In an August 1987 cable, CIA Headquarters described this independent contractor's background, previous association with

DEA, work for the CIA, and the details of the termination of his relationship with CIA, and indicated that the information should be shared with the local DEA office.

737. An August 1997 Headquarters cable included a description of the CIA's relationship him for passage to the DEA.

738. No information has been found to indicate that information concerning his involvement in drug trafficking before he came into contact with CIA was provided to the Congress by CIA.

A Second CIA Independent Contractor

739. **Background and Relationship with CIA.** According to a file review, CIA hired this independent contractor in January 1983 to serve in Central America to participate in supporting the Contras. From 1983 to 1989, he was assigned to two Central American countries. From 1989 to 1994 he was assigned outside of Central America.

740. No specific date for the termination of his relationship with CIA has been found. However, according to a July 5, 1994 cable, the relationship was terminated in 1994 for poor performance.

741. **Allegations of Drug Trafficking.** On January 24, 1983, he was questioned by CIA Security as part of Agency security processing. According to the Security Officer's report, the contractor reported that in August 1980, prior to his first contact with CIA, he had accepted $1,000 from drug traffickers who were delivering cocaine paste from a port to an airstrip. He said he shared the money with two subordinate officers. He reportedly explained that the "only reason he had taken the money was because of [the U.S. military advisor to his unit] telling him to do so in order to be in a better position to obtain drug information."

742. **CIA Response to Allegations of Drug Trafficking.** A February 8, 1983 cable to Headquarters stated that his admission that he had accepted a $1,000 bribe from a narcotics smuggler was disturbing. However, the cable added:

> . . . to put the best face on a truly ugly development, we could only point out that had [he] chosen to do so, he could have accepted these payments on a daily basis, thus enriching himself to an unimaginable degree. He chose not to, however, and became the bane of the narcotraffickers' existence at great personal risk to himself and to the detriment of his military career.

No information has been found to indicate that the U.S. military advisor was ever asked by CIA about the contractor's claim that the advisor had told him to accept the bribe.

743. A March 11, 1985 Headquarters cable noted his comments from the 1983 security interview. The cable stated that "it would be prudent to arrange for [interviews by CIA Security] at regular intervals."

744. He was questioned again by CIA Security on June 18, 1986. The Security Officer's report stated:

> Regarding the issue of narcotics trafficking since his [last interview] in 1983, [he] stated that he has never engaged in narcotics trafficking. The one incident previously reported was done only to locate drug factories . . . and ultimately raid those factories. He did relate that he had learned that members of [the Contras] had been using the private aircraft belonging to [Pastora] to smuggle cocaine into [San Jose, Costa Rica]. He denied actually seeing this activity. He stated that this was reported to him by members of [the Contras].
>
> He was specifically [questioned] regarding any narcotics trafficking he may have engaged in since his [interview] in 1983. [CIA Security was satisfied with his answers and did not have any further questions regarding illegal drug trafficking.]

No information has been found to indicate that his allegation during the questioning concerning the use of Pastora's plane to smuggle cocaine into Costa Rica was further investigated by CIA.

745. A February 16, 1995 cable to Headquarters reported that an anonymous letter had been received by "numerous individuals and the press . . . charging various present and former military personnel with involvement in narcotics trafficking." The letter reportedly included the specific allegation that this contractor had, prior to 1981, murdered a drug trafficker who had been bribing him.

746. The cable commented that the anonymous letter might have been "a way for some group or individual to get revenge on

personal enemies." In the cable the Station also noted that it did not know the "veracity of the claims made in the letter." No information has been found to indicate that these allegations against the contractor were pursued further by CIA.

747. An August 13, 1997 cable to Headquarters discussed a meeting to terminate the Station's relationship with a contact who had no connection with the Contra program. According to the cable, the contact alleged during the meeting that the contractor in the early 1980s (note: prior to his becoming a contractor with CIA) had raided a cocaine lab, seized an amount of cocaine, and staged a destruction of the cocaine, but actually sold it for himself. The Station commented that the contact and his source for his information were not reliable.

748. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that CIA reported the drug trafficking allegations against the contractor to other U.S. Government intelligence and law enforcement entities or the Congress.

A Third CIA Independent Contractor

749. **Background.** The third independent contractor was interviewed by CIA Security on January 24, 1986, according to the October 1995 cable. After serving in a Central American country, in 1990 he was reassigned and in 1993, he was assigned to other Latin American countries. He was also questioned by CIA Security in 1995 and 1996.

750. As a result of his inability to provide satisfactory answers concerning narcotics trafficking, CIA decided to terminate his employment.

751. **Allegations of Drug Trafficking.** In a January 1986 Security Officer's report, his responses to questions about drug trafficking were less than satisfactory. A February 28, 1996 memorandum from LA Division to the ADDO suggested that he be questioned again.

752. According to a July 1995 report, he was questioned again in 1995 with similar results.

753. He was questioned for a third time in 1996 with similar results. According to a report of the third round of questioning, the contract employee could provide no explanation for his lack of credibility in his answers. However, he said that several years in the past, in the course of his work, he had received assistance from a person whom he subsequently learned was a drug trafficker.

754. **CIA Response to Allegations of Drug Trafficking.** No information has been found to indicate any efforts by CIA to resolve or verify the drug trafficking issues that arose in the 1986, 1995 and 1996 questioning of this contractor. The Agency decided in March 1996 to end his employment.

755. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that information relating to this independent contractor's possible involvement in drug trafficking was shared with other U.S. Government intelligence or law enforcement entities or the Congress.

John Floyd Hull

756. **Background.** John Hull, (a.k.a. John Hull Clarke and Juan Clark), a dual U.S. and Costa Rican citizen, resided during the period of the Contra resistance in Muelle De San Carlos, Costa Rica, where he owned one ranch and had a shared interest or management authority regarding five other properties. He allowed the Contras to use the airstrips and storage facilities on his properties and, over the course of the 1980s, was in contact with the Agency and senior Contra leaders—especially of the Southern Front—wealthy U.S. businessmen and senior U.S. Government officials.

757. A former Agency officer says he received a visit after his retirement from Hull in 1989. This was after Hull left Costa Rica. According to the retired officer, Hull talked about his escape from Costa Rica and his pending extradition request. He also says that Hull said he was in Washington, D.C. to see a member of Congress.

758. **Allegations of Drug Trafficking.** In November 1984, a cable to Headquarters reported an allegation that an ARDE pilot had alleged Hull's airfield "has been used for smuggling in the past and that some of the people who live in the area have been associated with contraband/drug smuggling." The report did not specify whether Hull had knowledge of the trafficking, nor did it indicate the source of the information, when the alleged trafficking took place, or any other details. Hull denies knowing the pilot who made the allegation, and he denies having knowledge of such activities. No information has been found to indicate that the pilot was ever present at any of Hull's airstrips in Costa Rica.

759. A January 1985, cable informed Headquarters that Hull had said that the FBI was "investigating" his "relationship with Frank Castro." According to the cable, Hull said that "he has no contact or working relationship with Castro," although he was "aware of Castro's background--past involvement in terrorist activities and possible involvement in drug trafficking."

760. Hull admits having met Frank Castro and says that Castro visited his ranch once with some Cuban-Americans. Hull notes that the Cuban-Americans had told him that Castro gave a lot of money to the Contras. Hull also says that it was rumored that Castro was involved in the drug business, but Hull does not know whether the money Castro gave to the Contras came from drug trafficking.

761. According to a February 1985 cable to Headquarters, it was reported that Moises Ruiz Nunez had been interviewed by the FBI about Hull's relationship with Castro. Nunez said he told the FBI that "[Hull] has nothing to do with Castro and added that [Hull] knows that Castro should be avoided."

762. On March 7, 1986, FBI Headquarters sent CIA a cable that provided information from an FBI interview of Jack Terrell. The cable reported that Terrell alleged that an airplane carrying cocaine arrived at Corn Island, Nicaragua from Colombia twice weekly. According to the cable, the aircraft was refueled at Corn Island before flying to Rama, Nicaragua, for unloading. Terrell had further alleged that, after unloading the cocaine, Cuban-Americans Rene Corvo and another individual would bring the cocaine to Hull's ranch for shipment to the United States. According to the FBI cable, both Terrell and Costa Rican authorities also believed that Dr. Hugo Spadafora, a former ARDE commander, was connected with drug trafficking at Hull's ranch.

763. Hull says that he does not recall the name of the other individual, but he says he met Corvo several times and transported medicine and supplies to Corvo's training camps on the Northern border of Costa Rica from 1983 to 1985. According to a May 1986 cable to Headquarters, Hull:

> . . . said that he met Rene Corvo twice, once in San Jose and once along the border area. Those meetings took place approximately six/eight months ago. [Hull] said that both Corvo and Terrell are "loose cannon" types whom he avoids at all cost.

Hull says that it was "not possible" for Corvo and the other individual to ship cocaine from his ranch without his knowledge. Hull states, "If it were going on, I would have known." Hull also notes that there were no patterns of activity at his ranch that would have been similar to the twice weekly schedule of flights that was alleged by Terrell. Hull reiterates that he is "10,000 percent" certain that he would have known about any such narcotics shipments from his ranch.

764. In April 1986, a Headquarters cable stated that Senator John Kerry of the Senate Foreign Relations Committee had "assigned several staff members to conduct an intensive investigation of allegations of [Contra] involvement in illegal activities." According to the cable, the scope of the SFRC investigation included, among other things:

> .... An on going [*sic*] drug smuggling operation connecting Columbia [*sic*], Costa Rica, Nicaragua and the United States, in which Resistance members and their American supporters, ... handled the transport of cocaine produced in Columbia [*sic*], shipped to Costa Rica, processed in the region, transported to airstrips controlled by American supporters of the Resistance and distributed in the U.S.

The cable did not allege misdeeds by Hull.

765. According to the CBS *West 57th Street* broadcast on April 6, 1987, Gary Betzner said, "I took two loads, small aircraft loads of weapons to John Hull's ranch in Costa Rica and returned back to Florida with approximately a thousand kilos of cocaine." Betzner then stated that he returned with "500 each trip." He also alleged that personnel working for Hull "would load the aircraft. In both cases John Hull was there." Betzner also said that Hull "physically saw the bags" of cocaine that were loaded onto the aircraft. During this program, Betzner described a whistle as a means of communicating with personnel at Hull's airstrip before landing. Later in the program, Betzner said, "The second trip I went down, I didn't go back into John Hull's place. I went into another strip that was maybe 10 or 15 miles east of the place, but a little better

strip." In denying these allegations on the same program, Hull said, "There's never been any drug movement through this zone or through any of our farms . . . . "

766. Hull states that the allegations by Gary Betzner, including a "whistle" signal between pilots in the air and personnel at Hull's airstrip, are false. According to Hull, there was no air-to-ground communication system at his air strips that could be used as Betzner alleged.

767. A December 1987 cable from Headquarters asked for background information concerning a U.S. pilot. According to the cable, this U.S. pilot had a "close relative" with "possible drug involvement . . . . [This U.S. pilot] normally based [his] aircraft at the Muelle De San Carlos private airfield in northern Costa Rica, which is owned by John Hull . . . ." Responses indicated no information had been found regarding this U.S. pilot.

768. A January 1988, Headquarters cable advised, a Cuban-American, claimed he had been in contact with Hull. As of August 1986, the cable noted, the Cuban-American was being investigated by the FBI for smuggling and possession of marijuana.

769. In October 1988, a cable to Headquarters stated that an individual, who had been accused of money laundering in Costa Rica, had threatened to implicate Hull, Agriculture Minister Alberto Esquivel and "U.S. intelligence in narcotics trafficking." Hull says that he does not know the individual and does not recall the threat.

770. On February 10, 1988, Floyd Carlton testified before the Kerry Committee that Teofilo Watson piloted an aircraft carrying about 530 kilograms of narcotics to Costa Rica that ended up on Hull's ranch. The transcript stated:

> Senator Kerry: And instead of appearing at that -- what field was it supposed to appear at?
>
> Mr. Carlton: I can't recall the name, but I could locate it on a map.

Senator Kerry: Did you learn that that drug shipment appeared instead on another farm, another strip?

Mr. Carlton: That is what we were told by a member of the civil guard in Costa Rica.

Senator Kerry: Did he inform you that it landed on the strip and ranch of John Hull?

Mr. Carlton: Yes, that is correct.

Senator Kerry: And was Teofilo Watson, the pilot of the aircraft, at some time assassinated?

Mr. Carlton: Yes.

Senator Kerry: When was he assassinated?

Mr. Carlton: I can't recall the date, the exact date. But one of the people who was to meet Watson told him not to land at the appointed place, but to change and land elsewhere. It was supposedly waiting for him there. They killed him and then took the airplane and the drugs to Mr. Hull's ranch.

Senator Kerry: So this is the very occasion that he landed at the wrong field that he was killed. He was assassinated when he was met landing where he thought he was going, correct?

Mr. Carlton: Yes, that is correct.

771. A January 1989 cable to Headquarters reported that the Costa Rican Government had arrested Hull on charges that included illegal arms and narcotics trafficking. According to the cable, the chief of the Costa Rican Office of Judicial Investigation had said that Hull's arrest was "based on testimony of known narcotics traffickers arrested in Miami." These traffickers had alleged that Hull allowed "aircraft to utilize his property . . . for transit of drugs to USA."

772. Hull says that, after he was arrested, he was stripped of his clothing and asked to sign an affidavit stating that he was aware that CIA was smuggling drugs. According to Hull, he was told that

he would have his clothing returned and be set free if he signed the affidavit. Hull says that he refused to sign the document and was placed in a cell with 16 other prisoners.

773. Agency records contain a copy of a January 13, 1989 Reuters article that reported information provided by a spokesman for the "Costa Rican judicial investigation department." According to the article:

> The investigation of Hull . . . began after a Colombian drug trafficker, George Morales, accused the American in a television interview of links with arms and drugs [*sic*] trafficking and of spying for the Contras.

774. A January 13, 1989 Associated Press story reported that witnesses testifying before Congress had said "Hull's ranch was a way station for gun smugglers and cocaine traffickers." The Associated Press report also stated that "Convicted cocaine pilot Gary Betzner has testified that Hull once met his plane when it landed on the ranch to exchange Contra arms for Colombian cocaine." Hull responds that his grass airstrip was too short—only 1,600 useable feet—and situated so that it could not be used as claimed by Morales and Betzner—hills on one end and a river on the other.

775. Hull says that it was "impossible—flat impossible!" that someone could unload weapons and load narcotics on his property. He further asserts that all of the allegations about drugs being shipped from facilities controlled by him in Costa Rica came from convicted felons and that his airstrip was too short to accommodate the aircraft alleged to have used his airstrip. Hull states that, according to information he obtained from a representative of the manufacturer, the Cessna 402B aircraft, loaded as Betzner alleged, would have been 800 pounds over the gross weight to take off safely from a grass strip such as Hull's.[28] Hull says that Betzner's allegations are "not true, not true! He made it up. He was coached."

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[28] Hull provided a copy of a document that cites the results of calculations based on information contained in the *Pilot's Operating Handbook and FAA Approved Flight Manual, 1977 Model 402B (D1544-1-13-RPC-1000-6/78* and conversations with an individual, identified as a factory

776. March 7, 1989 reporting explained that a Costa Rican judge had issued a ruling that charged Hull with "hostile acts" and "drug trafficking." Costa Rican court documents claimed that Hull and Contra pilot Gerardo Duran had met Morales in Miami to discuss the sale of drugs and weapons. Thereafter, planes piloted by Duran and Marcos Aguado had reportedly landed at Hull's airstrips carrying military supplies and, with his knowledge, left loaded with drugs. Allegedly 400 kilograms of cocaine had been transported to Miami from Hull's ranch at one time. On another occasion, according to Betzner, 1,000 kilograms had been transported from Hull's ranch to Florida. The court had ordered Hull's "preventive imprisonment."

777. A July 1989 cable advised Headquarters that Hull had fled Costa Rica in mid-July. Hull says that he arranged his departure from Costa Rica and was flown to Haiti by a DEA pilot he knew. According to Hull, a Canadian pilot flew him from Haiti to Miami. Hull says that in Miami he stayed in the apartment of Moises Nunez.

778. In August 1989 reporting indicated that Hull had been reindicted by the Costa Rican Government for "hostile acts" stemming from his Contra-related activities. An August 1991 cable to Headquarters, stated that "The drug charges [against Hull] have since been dropped, but Hull is now formally charged with being a conspirator in the 1984 La Penca bombing, and is the subject of a Costa Rican extradition request in the hands of the U.S. Department of Justice." Hull remains the subject of an extradition request by the Costa Rican Government.

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representative for Cessna, the manufacturer of the Cessna 402B that Betzner is alleged to have flown to and from Hull's ranch. According to that document, after taking into consideration the weight of the cargo-configured Cessna 402B, fuel, oil, and the pilots, the aircraft would weigh 5,961 pounds—just 339 pounds below the manufacturer's recommended maximum gross takeoff weight of 6,300 pounds. With the addition of 500 kilograms (1,100 pounds) of cocaine the weight of the aircraft would exceed the maximum gross takeoff weight by 761 pounds. The document further stated that a 2,670 foot takeoff roll on a paved runway would be required for this aircraft loaded to its recommended maximum gross takeoff weight. It noted that Hull's runway was grass and would require approximately a 15 percent longer takeoff roll. This would bring the required runway length to 3,070 feet. According to the document, the useable length of Hull's runway was only 1,500 feet.

779. Hull says that the narcotics trafficking charges were dropped in July 1989. This occurred, he says, after the Costa Rican judge went to his farm, measured the landing strip and saw for himself that it was too short to be used as alleged.

780. **CIA Response to Allegations of Drug Trafficking.** A November 1984 cable stated that a Station Officer was "quite confident that [Hull . . . has not] supported any drug trafficking activity." The cable provided no further explanation regarding the basis for this statement.

781. A February 1985 Headquarters cable noted that Hull "has become a political liability to the [Costa Rican Government] and a subject of interest to [U.S.] law enforcement agencies." A responding cable noted that the Station does not believe that Hull is involved with Frank Castro in any narcotics trafficking activities.

782. A May 1986 cable from Headquarters stated:

> 1. On 2 May 1986 [CATF] personnel met with representatives of [FBI] to review the status of their investigation into plan to blow up embassy in Costa Rica . . . . Figuring prominently in investigation is [Hull], according to information provided by Jack Terrell. . . . Nonetheless this allegation as well as one that [Hull's] driver "David" had been killed possibly by [Hull] figure prominently in Senator Kerry's staff's investigations into alleged improprieties in Central America. . . . . Request Station provide answers to the following questions:
>
> D. Does station have any information on [Hull] that indicates taht [sic] he might have violated U.S. laws. Terrell alledges [*sic*] that 42 kilo[gram]s of cocaine were smuggled into the U.S. from [Hull's] farm. This cocaine allegedly is smuggled into Nicaragua by Columbia [*sic*] drug smugglers with the knowledge of the Nicaraguan government and the assistance of Rene Corbo.[29] Corbo gets a cut of the shipment to Nicaragua for his help and allegedly has an arrangement with [Hull] to move the drugs to [Hull's] farm and then into the U.S. . . .

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[29] "Corbo" is an alternate spelling of "Corvo."

> 2. No one is alledging [*sic*] that [Hull] actually did anything wrong at his [*sic*] time, but we must have . . . any information that Station has which might shed light on the questions raised . . . . It is our hope by doing our homework now to shut down allegations of improprieties by Senator Kerry's staff and avoid public hearings where it will be difficult if not impossible to disprove the allegations being made.

783. According to a May 1986 cable, Hull denied all allegations by Terrell regarding cocaine movements through his property and "stated that to the best of his knowledge he has never violated any aspect of U.S. neutrality laws." Further, the cable stated, "to the best of Station knowledge, [Hull] has not been involved in any type of smuggling operations."

784. A September 1986 cable stated that Hull "has . . . contact . . . with senior [U.S. Government] officials and wealthy [U.S.] businessmen supportive of his anti-Communist activities."

785. Hull says that he was polygraphed by a private firm on February 20, 1992. According to a copy of a polygraph examination report from that private firm, Hull's negative answers to three questions concerning whether, "from 1982 to about 1985" he made "arrangements to fly out cocaine," "ship[ped] cocaine out of one of your airstrips" or "knowingly permit[ed] anyone to use your airstrips to fly out cocaine" were deemed to "correspond to truthfulness."

786. Eden Pastora says that there was "bad blood" between himself and John Hull, but states that he has no knowledge of drug trafficking by Hull. Pastora says that he recalls rumors of drug trafficking on Hull's ranch, but he says there were no facts. Pastora allows that Gerardo Duran may have misled Hull and used Hull's airstrip for some drug flights under the guise of humanitarian aid. Pastora also identified another pilot known as "Condorito" or "Condor" who was alleged to have been involved in drug running and who used Hull's airstrip. Pastora says that, if drug trafficking occurred on Hull's airstrips, he does not believe that Hull knew about it.

787. **Information Sharing with Other U.S. Government Entities.** In April 1982, CIA requested FBI traces regarding Hull. A June 1, 1982 Memorandum For the Record (MFR) noted that the FBI had replied that "there were no identifiable FBI traces." In February 1985, several months after the first allegations arose that Hull was engaged in drug trafficking, Headquarters stated in a cable that it was "making discrete inquiries with appropriate law enforcement agencies as to derogatory information on [Hull]."

788. On March 21, 1985, two months after Hull had said that his relationship with Frank Castro was being investigated by the FBI, a Headquarters cable stated that U.S. Government law enforcement agencies had no ongoing investigations of Hull. The cable noted that DoJ was curious as to why Hull believed he was being investigated.

789. On March 7, 1986, the FBI sent a multi-part cable to CIA regarding neutrality matters in Honduras, Costa Rica and Nicaragua. These cables summarized the FBI interview with Jack Terrell in which he had made allegations regarding Hull's involvement in narcotics trafficking. On April 1, 1986, CIA responded to the FBI that, "If it would be germane to the FBI's neutrality matters investigation, this Agency is ready to provide a comprehensive briefing on Hull and his activities." No information has been found to indicate whether the FBI accepted this offer.

790. A May 3, 1986, Headquarters cable stated that, on May 2, 1986, "[CATF] personnel met with representatives of [the FBI] to review the status of their investigation into plan to blow up [the U.S.] embassy in Costa Rica and blame it on the Sandinistas." The Headquarters cable noted that Hull figured prominently in that investigation, based on information provided by Terrell.

791. On May 8, 1986, a cable noted:

> [Hull] stated that to the best of his knowledge he has never violated any aspect of U.S. neutrality laws. All allegations by Jack Terrell

> regarding cocaine movement on a farm belonging to [Hull] are false.

This cable continued by stating:

> To the best of Station knowledge, [Hull] has not been involved in any type of smuggling operations. His greatest sin has been to employ Nicaraguan refugees in menial jobs on his farm.

792. According to a May 9, 1986 Headquarters cable representatives of CIA, DEA, FBI, DoS, the NHAO, and DoJ met with SFRC Staff members on May 7, 1986 to review allegations regarding Hull's alleged involvement in arms trafficking, drug trafficking and murder. According to the cable:

> Both [DoJ] and [DEA] were specifically asked if they have ongoing investigations of [Hull]. They both told the Staffers that there are no investigations presently in progress. However, because of the breath [*sic*] of the allegations made and our inability to respond to them, it is possible that [DoJ] may open an investigation of [Hull].

The cable characterized the meeting as "largely unproductive as Kerry's Staffers were unwilling to provide details and sources of information that had provided information that pointed to violations of U.S. laws."

793. CATF Legal Advisor Louis Dupart wrote an undated MFR concerning the May 7, 1986 meeting which noted that DoJ had said "there is an active and ongoing investigation" underway with regard to one alleged shipment of lethal weapons that arrived at Hull's ranch. According to the MFR, the CIA representatives stated that "Our sources reported [the shipment] only consisted of non-lethal supplies." With regard to the allegations of murder, Neutrality Act violations, conspiracy to commit murder, and drug smuggling, the MFR stated that "Both Justice and the DEA told the Staffers that they do not have ongoing investigations of Hull." As for the allegation that Hull "is some how [*sic*] responsible for the death of David [Hull's driver]," the MFR noted that "The Staffers were told that a thorough search of [CIA] records did not reveal any information on a driver

named David." The MFR stated that "in a recent San Jose newspaper article, Rojas [the source of the allegation about David's murder] had repudiated the statements attributed to him." According to the MFR, "The Staffers out of hand rejected the information provided on Rojas saying they had another source, who they would not identify."

794. A May 9, 1986 Headquarters cable referred to the May 7, 1986 meeting and stated that DoJ and DEA had reported that they had no current investigations of Hull. However, the cable noted that "it is possible that [DoJ] may open an investigation of [Hull]."

795. According to an undated MFR by Dupart, CATF Chief Fiers and OGC representatives met on July 9, 1986 with HPSCI Staff member Michael O'Neil regarding Hull. The MFR indicated that CIA reviewed and the allegations that Hull had violated U.S. law. According to the MFR, Fiers told O'Neil that CIA had "no information of Hull having been involved in violations of U.S. law" and that, since CIA was "not a law enforcement agency, we have not collected or sought any information on this." The MFR also noted that Fiers stated that "while it is possible that Hull had in fact violated the law, we have no knowledge of any violations."

796. Sometime in October 1986, according to a November 25, 1987 memorandum from Agency Office of Congressional Affairs Director David Gries to DCI Webster, Fiers briefed Senator Kerry on Hull.

797. An October 16, 1986 MFR by OCA Deputy Director for Senate Affairs Alvin K. Dorn stated that Fiers briefed Senator John Kerry on October 15 regarding questions that had resulted from Fiers' October 10, 1986 briefing concerning the Contras. The MFR noted that Fiers presented "a series of prepared sheets responding to the questions to Senator Kerry, who read each one carefully and occasionally asked additional questions. These sheets concerned: [among others] John Hull."

798. On July 31, 1987, Fiers briefed the Senate Select Committee on Intelligence (SSCI) about Hull's alleged relationship with Jorge Morales. According to an SSCI transcript of the briefing, Fiers stated:

> Morales saw John Hull in his, Morales' office, with [Marcos] Aguado in 1983. However, Morales didn't meet him. He didn't want to. Hull is very well know [*sic*] in columbia [*sic*] and Central America for his activities and his reputation dealing [*sic*] with CIA. Morales did not want any more dealings with government people other than what he had with Chamorro and Cesar.

The SSCI transcript also noted that Fiers recounted the drug trafficking allegations by Morales against Hull:

> [Morales] also claims to have unloaded--that Hull's airstrip was used in loading and unloading of drugs [and that] Morales first heard about John Hull in 1981 from a Columbian [*sic*] friend. Morales said it was very well known John Hull's ranch was a facility for refueling and storing drugs. John Hull was in Morales' office in July 1983 with Gustavo Velez, a Columbian [*sic*] friend of Morales, to arrange delivery of 40 grenade launchers from Opaloca, Florida, to El Salvador. Morales' cargo airliner flew the launchers for Hull.

According to the transcript, Fiers also said:

> It is possible that John Hull's ranch was used as a transshipment point for drugs. We never had any hard proof of that other than the claims made by various convicted narcotics traffickers. It is possible it could have been used without Hull's knowledge. It is also possible he could have been a willing accomplice in using it. We just don't have any significant information about that.

799. On August 20, 1987, a CIA officer met briefly with the SFRC's Special Counsel to advise him that Headquarters was willing to brief him on matters related to Hull. According to a November 20, 1987 OCA MFR, Louis Dupart and an OCA Legislation Division officer met with the SFRC's Special Counsel on November 20, 1987. The MFR stated that Senator Kerry was seeking a meeting with DCI Webster because "the Senator needed to convey his concerns about the matter on a 'political' level to a 'political' figure in the government

. . . ." On December 22, 1987, DCI Webster advised Senator Kerry by letter that he had directed appropriate Agency officials to conduct "an in-depth review" concerning Hull and that the Agency was prepared to assist Kerry's investigation. The letter noted that further comment concerning Hull's activities was "appropriately left to the Department of Justice and [Iran-Contra Independent Counsel] Judge Walsh's office." No information has been found to indicate that the in-depth review referred to by DCI Webster was ever conducted.

PILOTS, COMPANIES, AND OTHER INDIVIDUALS WORKING FOR COMPANIES USED TO SUPPORT THE CONTRA PROGRAM

WHAT DRUG TRAFFICKING ALLEGATIONS WAS CIA AWARE OF, AND WHEN, INVOLVING PILOTS AND COMPANIES SUPPORTING THE CONTRA PROGRAM? HOW DID CIA RESPOND TO THIS INFORMATION, AND HOW WAS THIS INFORMATION SHARED WITH OTHER U.S. GOVERNMENT ENTITIES?

Allegations Involving Companies Supporting the Nicaraguan Humanitarian Aid Effort

800. **Background.** In early 1986, Senator John Kerry began an investigation of allegations that elements of the supply network supporting the Contras were linked to drug traffickers. In April 1986, Senator Kerry took the information he had developed to the Chairman of the Senate Foreign Relations Committee (SFRC), Richard Lugar, who agreed to conduct a staff inquiry into these allegations. In February 1987, the SFRC expanded the focus of the inquiry to include the impact of drug trafficking from the Caribbean and Central and South America on U.S. foreign policy interests. In April, the responsibility for this broader investigation was given to the Subcommittee on Terrorism, Narcotics and International Operations, chaired by Senator Kerry.

801. The Subcommittee's report, "Drugs, Law Enforcement and Foreign Policy" ("the Kerry Report"), was published in December 1988 and identified six companies that had been owned and operated by convicted or suspected drug traffickers and were linked to the Contras. The companies were:

- Frigorificos De Puntarenas
- Ocean Hunter
- SETCO
- DIACSA

- Vortex
- Hondu Carib

802. In August 1985, Congress had appropriated $27 million for humanitarian support to the Contras and designated the DoS as the executive agent for the purchase and distribution of all aid. As a result, the Nicaraguan Humanitarian Assistance Office (NHAO) was created in DoS under the direction of Ambassador Robert Duemling. The program reached its peak in March 1986 when it delivered over 500,000 pounds of material to Aguacate, Honduras, on 11 chartered flights from the United States. The last NHAO flights were in June 1986 and the program officially ended in October 1986. All of the companies, except for Ocean Hunter, that had been identified by the Kerry Report as being owned and operated by known or suspected drug traffickers were included among the organizations selected by DoS to supply humanitarian aid to the Contras through NHAO.

803. **CIA Vetting of Companies for NHAO.** In July 1987, the Central Intelligence Agency's Office of Inspector General (CIA/OIG) published a Report of Inspection that noted that the NHAO--not the Agency--was responsible for administering the humanitarian aid program. The only Agency roles recognized in the "legislative history" of the statutorily-established program were to provide advice on the delivery of the aid and to monitor and verify its receipt by the Contras

804. According to the 1987 CIA/OIG Report of Inspection, "Agency support was always at the behest of NHAO and appears to have been both legal and proper." Among the types of assistance the Agency provided the NHAO, according to the Report, was advice on contractors. Alan Fiers was interviewed by the CIA/OIG inspection team on April 27, 1987. The CIA interview report stated that Fiers said he and Ambassador Duemling "had frequent meetings regarding possible contract cargo carriers." Fiers also reportedly said he had "checked out" some of these carriers for Duemling.

805. Fiers' written response to OIG questions during this current investigation stated that he "specifically recalls discussions

with Ambassador Duemling" on the subject of vetting air carriers for the NHAO. "More specifically," Fiers writes:

> I personally steered them [NHAO] away from the Private Benefactors, I believe we guided them toward carriers they ultimately used, although I cannot recall the details exactly [*sic*] how the names of the carriers were initially brought to my attention.

With the possible exception of Vortex, no information has been found to indicate that this CIA vetting assistance for the NHAO included information regarding the six companies identified in the Kerry Report as having ties to drug trafficking.

Frigorificos De Puntarenas/Ocean Hunter

806. **Background.** Frigorificos De Puntarenas ("Frigorificos") was a Costa Rican seafood company that was created as a cover for laundering drug money, according to grand jury testimony by one of its owners that is cited in the Kerry Report and testimony by Ramon Milian Rodriguez, the convicted money launderer who established the company. Frigorificos was owned and operated by Luis Rodriguez of Miami, Carlos Soto and Ubaldo Fernandez. Milian Rodriguez told Federal authorities about Luis Rodriguez' drug trafficking prior to Milian's arrest in May 1983. Moises Nunez was the General Manager of Frigorificos.

807. The December 1988 Kerry Report indicated that the DoS used Frigorificos to deliver more than $261,000 in humanitarian assistance funds to the Contras in 1986. These funds were controlled by Rodriguez, who signed most of the orders to transfer the funds to the Contras.

808. The Kerry Report further indicated that Luis Rodriguez owned another company--Ocean Hunter--that was linked to drug trafficking and money laundering. Ocean Hunter was a Miami-based seafood company that Milian Rodriguez had also established to enable Luis Rodriguez to launder drug money. Ocean Hunter imported seafood from Frigorificos and, according to testimony by Soto and Milian Rodriguez, intra-fund transfers were used to launder drug profits. Luis Rodriguez was indicted on drug trafficking charges by the U.S. Government in September 1987 and on tax evasion charges in April 1988 in connection with money laundering through Ocean Hunter.

809. **Allegations of Drug Trafficking.** According to the December 1988 Kerry Report, Senator Kerry informed the Department of Justice, DEA, CIA, and NHAO in May 1986 of allegations he had received involving Luis Rodriguez and his companies--Frigorificos and Ocean Hunter--in drug trafficking and

money laundering. No information has been found to indicate that CIA ever received this information from Senator Kerry.

810. On January 29, 1986, a cable reported to Headquarters that DEA had seized over 400 pounds of cocaine concealed in a container of yucca on January 23. The container was leased to David Mayorg--a close advisor to Eden Pastora., In September, it was reported that the container in question had been destined for Ocean Hunter.

811. **Ramon Milian Rodriguez.** According to an undated, unsigned Headquarters memorandum, Milian was arrested by United States Customs in May 1983 as he was preparing to leave the United States with $5.6 million aboard his Lear jet.

812. **Information Sharing with Other U.S. Government Entities.** CIA records indicate that the Agency provided some information to the SSCI between December 1986 and June 1988 regarding its contacts with Milian. A MFR dated December 10, 1986 to the SSCI stated that CIA had no relationship with Milian but had received unsolicited information regarding Sandinista drug trafficking from Milian in 1984. During a joint briefing of the SSCI and HPSCI staffs on July 31, 1987, Alan Fiers stated that the CIA had no relationship with Milian but had received unsolicited information. An MFR dated June 23, 1988 from John Buckman answered questions originating from Senator John Kerry about Agency contacts with Milian. This MFR also stated that the Agency had no relationship with Milian. CIA records do not indicate whether any of the information originating from Milian was passed to law enforcement agencies.

813. **CIA Vetting Role.** No information has been found to indicate that CIA played any role in NHAO's selection of Frigorificos as a conduit for the delivery of humanitarian assistance to the Contras.[30]

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[30] According to a Staff report prepared for Senator Kerry's Subcommittee in October 1986, Robert Owen, a contract employee of the NHAO and an intermediary between Oliver North and the Contras from late 1984 to mid-1985, was responsible for the NHAO contract with Frigorificos.

814. No information has been found to indicate that CIA played any role in NHAO's selection of Ocean Hunter as a conduit for the delivery of humanitarian assistance to the Contras.

SETCO

815. **Background.** A 1983 Customs Investigative Report stated that "SETCO Aviation is a corporation formed by American businessmen who are dealing with Juan Matta Ballesteros and are smuggling narcotics into the United States." Beginning in 1984, SETCO was the principal company used by the Contras in Honduras to transport supplies and personnel for the FDN.

816. SETCO was chosen by NHAO to transport goods on behalf of the Contras from late 1985 through mid-1986. According to testimony by FDN leader Adolfo Calero before the Iran-Contra committees, SETCO received funds for Contra supply operations from the bank accounts that were established by Oliver North.

817. According to U.S. law enforcement records cited in the Kerry Report, SETCO was established by Juan Matta Ballesteros, "a class I DEA violator." The Kerry Report also states that those records indicate that Matta was a major figure in the Colombian cartel and was involved in the murder of DEA agent Enrique Camarena. Matta was extradited to the United States in 1988 and convicted on drug trafficking charges.

818. The FDN, and later ERN/North, also used SETCO for airdrops of military supplies to Contra forces inside Nicaragua.

819. **Allegations of Drug Trafficking.** In a July 10, 1987 memorandum to the LA Division Chief, Assistant Secretary of State for Inter-American Affairs Elliott Abrams requested, among other things, that CIA share as part of a U.S. Government effort to "bring Matta to the United States to face charges" any information it had on Matta's activities in Honduras. Abrams noted that Matta had reportedly been considering "a number of business schemes for laundering his drug money." On July 24, 1987, CATF responded to the request from Abrams by sending a cable asking for information regarding Matta's activities in Honduras. An August 4 cable

informed CATF that Matta had purchased "a small air cargo service," but did not provide the name of the company. No information has been found to indicate that Headquarters provided this information to Abrams or requested any follow-up reporting regarding Matta's purchase of the cargo service.

820. On April 28, 1989, the Department of Justice (DoJ) requested that the Agency provide information regarding Matta and six codefendants for use in prosecution. DoJ also requested information concerning SETCO, described as "a Honduran corporation set up by Juan Matta Ballesteros." The May 2 CIA memorandum to DoJ containing the results of Agency traces on Matta, his codefendants and SETCO stated that following an "extensive search of the files and indices of the Directorate of Operations.... There are no records of a SETCO Air."

821. The CIA officer who was responsible for handling the 1989 DoJ request says that she followed the usual procedures for tracing names. She says that the fact that no record was found indicates that LA Division had not entered SETCO into the name trace database. She also states that the officer who reviewed the draft when her proposed response to DoJ was sent to the Honduran desk in CATF for coordination should have informed her that the Agency did have information concerning SETCO, and should have provided that information to her. She notes, however, that most managers would not focus on a "no record" response.

822. The draft response to DoJ indicated that a CATF officer coordinated on the draft. He says that he does not recall SETCO, never visited its facilities and does not recall coordinating on the response to DoJ.

823. A former CATF Nicaraguan Operations Group Chief says that the officer who coordinated on the cable should have known about SETCO because it was common knowledge in CATF that the company was used to support the Contra program and he had probably been at SETCO's facilities at one time or another. He cautions, however, that there can be no certainty that the officer

actually coordinated on the response. Although his name was entered as the coordinating officer, the former NOG Chief states that this does not necessarily indicate that the officer saw it. Someone else could have coordinated for him if he had not been available at the time. The former NOG Chief says that the only way to ascertain that the officer reviewed the document is to examine the routing slip with the actual signature. No routing slip has been found, however.

824. A June 15, 1989 cable reported to Headquarters that DEA had "uncovered . . . information of possible drug trafficking" involving Manuel and Jose Perez, owners of SETCO Aviation. A June 15, 1988 Headquarters memorandum regarding a May 1988 DO trace request concerning Matta indicated that Matta "normally put . . . businesses in the name of third persons" for his holdings in Colombia.

825. Matta, who is incarcerated in the federal penitentiary in Florence, Colorado, says that he did not own or have any financial interest in SETCO, and claims he does not recognize the name.

826. No information has been found to indicate that CIA received allegations that any SETCO aircraft were involved in drug trafficking during the Contra era. In late 1992, however, a Defense Department counternarcotics cable indicated that SETCO was being used in the Honduran Bay Islands by drug traffickers who concealed narcotics under dried fish in transport through Honduras. The cable did not indicate whether SETCO was aware of this transshipment operation.

827. **Information Sharing with Other U.S. Government Entities.** No records have been found of information shared with law enforcement agencies.

828. **CIA Vetting Role.** No information has been found to indicate that CIA played any role in NHAO's selection of SETCO as a conduit for the delivery of humanitarian assistance to the Contras.

DIACSA

829. **Background.** According to the December 1988 Kerry Report, DIACSA was an aircraft dealership and parts company whose president was Alfredo Caballero. During 1984 and 1985, the FDN chose DIACSA for "intra-account" transfers to conceal that some funds for the Contras were sent through deposits arranged by Oliver North. A February 8, 1985 cable to Headquarters described DIACSA as the "ARDE cover company" and indicated that DIACSA was used to purchase aircraft for ARDE. According to the Kerry Report, on January 23, 1986, Caballero, Floyd Carlton--a cocaine trafficker associated with Manuel Noriega--and five others were indicted and later convicted for bringing 900 pounds of cocaine into the United States and laundering $2.6 million. No information has been found to indicate that the Agency had any relationship with DIACSA or Caballero.

830. **Allegations of Drug Trafficking.** A May 4, 1985 cable to Headquarters provided a summary of reporting concerning FRS personnel who may have been involved in drug trafficking. According to the cable, Caballero in February 1985 had offered to transport FRS supplies to Ilopango or Costa Rica in one of his aircraft if he could make the landing arrangements. The cable also reported that Caballero was the Miami representative of a company based in San Jose that was owned by David Mayorga. The cable noted that there were those who believed that Mayorga, Caballero and others were transporting drugs from San Jose to Miami.

831. No other information has been found to indicate that Caballero or DIACSA were connected with drug trafficking or traffickers.

832. **Information Sharing with Other U.S. Government Entities.** No information has been found to indicate that the Agency provided any information concerning alleged drug trafficking by

Caballero or DIACSA to other U.S. Government intelligence or law enforcement agencies or the Congress.

833. **CIA Vetting Role.** No information has been found to indicate that CIA played any role in NHAO's selection of DIACSA as a conduit for the delivery of humanitarian assistance to the Contras.

Vortex/Universal

834. **Background.** According to the December 1988 Kerry Report, the NHAO had a contract in 1985-1986 with Vortex, an air transport company based in Miami, Florida, to move supplies for the Contras. Michael Palmer, the Company's executive Vice President, signed the contract for Vortex in November 1985. At the time the contract was signed, Palmer was under investigation by the FBI for drug smuggling, and a federal grand jury was preparing to indict him in Detroit.

835. According to an April 6, 1988 memorandum to DCI Webster and DDCI Gates from David Pearline in OCA, Palmer testified that day to the SFRC Subcommittee on Terrorism, Narcotics and International Operations that he had gone to work for Vortex in 1985 or early 1986. Vortex later changed its name to Universal Air Leasing. Palmer also testified that Vortex/Universal entered into a contract in late 1986 to service planes and deliver materiel to the Contras. Palmer denied that he was ever an Agency asset or employee.

836. The April 6, 1988 memorandum also reported that Palmer had testified that he smuggled 120,000 pounds of marijuana into the United States in 1977. Palmer testified further that aircraft he used to smuggle drugs were later used to supply humanitarian assistance to the Contras. He asserted, however, that he was not involved in illegal drug smuggling while involved in supplying the Contras for the NHAO.

837. **Relationship with CIA.** An October 3, 1986 MFR indicated that Fiers chaired a "final meeting" on October 2, 1986 concerning preparations to implement the $100 million support program that Congress was about to approve for the Contras. According to that memorandum, Vortex/Universal would be used under subcontract for logistical flights. An April 7, 1987

memorandum described Palmer as the focal point for obtaining crews, mechanics and spare parts.

838. According to a March 25, 1988 memorandum to the Assistant General Counsel from the SAS legal advisor, the subcontract with Vortex/Universal included provisions for aircraft maintenance, as well as recruitment and training of air crews. An attachment to SAS legal advisor's memorandum indicated that Agency officers met with or spoke to Vortex/Universal personnel on several occasions and visited Vortex/Universal sites once and possibly twice between October 1986 and March 1987.

839. According to an April 7, 1987 Agency MFR, Palmer said that Al Herreros, President of Vortex/Universal, was a law enforcement source of information. Palmer also reportedly said that both he and Herreros were doing "sting/scam" operations for DEA in April 1986. According to the March 25, 1988 SAS legal advisor's memorandum to the Assistant General Counsel, the Agency's relationship with Palmer and Vortex/Universal was terminated on April 16, 1987.

840. The former CATF contractor who oversaw support for the Contras at the time does not recall asking for traces concerning Palmer or Vortex/Universal. No information has been found to indicate that the Agency requested traces from other agencies regarding Palmer or Vortex/Universal before or during the period when Vortex was working for the NHAO.

841. **Allegations of Drug Trafficking.** According to an April 21, 1987 MFR by the LA Division Security Chief, a meeting was held on April 13, 1987 between CIA officers and DEA officials regarding Michael Palmer's relationship with DEA. The MFR stated that then-Deputy CATF Chief had said that individuals at Vortex/Universal Air, though probably "suspicious," were never made witting that they were actually working for CIA through the Vortex/Universal subcontract.

842. According to a March 26, 1987 memorandum to the Chief of the Policy and Coordination Staff, one of the Nicaragua program's DC-6s was searched on March 21, 1987 by U.S. Customs agents after it landed at the Miami airport. Palmer arrived to assist in obtaining clearance for the aircraft. A misunderstanding developed between Palmer and Customs officials with the result that Customs took the identification papers of Palmer and all the crew members. The March 26 memorandum indicated that the plane was given clearance by Customs only after discussions in Washington between Agency and Customs officials. Subsequently, according to an undated memorandum to DCI Webster from DDO Stolz, Customs ran traces on Palmer and the plane's crew and discovered that Palmer had been indicted in Detroit on drug trafficking charges. The March 26 memorandum also stated that the difficulties with Customs arose because Customs did not receive proper notification of the aircraft's arrival and the crew was not able to answer questions about the aircraft's ownership because it had not been properly briefed. Further, the plane was configured for airdrops and a weapon was found aboard.

843. According to an undated Stolz memorandum to DCI Webster, "a CIA officer subsequently learned through a DEA official" that Palmer was a law enforcement source of information and a meeting was arranged between DEA and CIA officers. Although the memorandum indicates that a meeting between DEA and CIA officials regarding Palmer took place on April 21, 1987, it cannot be entirely ruled out that this was the same meeting as that which was described earlier in LA Security Chief April 21, 1987 MFR that indicates that a meeting between CIA and DEA officials took place on April 13, 1987.

844. In any event, the DEA officials reportedly told Agency officers in this meeting that Palmer was an "operative in a sensitive drug investigation/sting operation" and that his cooperation with DEA could be a determining factor as to whether the indictment

would be prosecuted.[31] When told that the Agency was considering terminating its relationship with Palmer, "DEA expressed concern regarding the possible impact that would have on their own 'big operation.'" Nevertheless, the Agency "informed DEA that we would direct the prime contractor to terminate all ties to Vortex/Universal Air Leasing and the prime contractor did so promptly, at least with respect to Agency operations."

845. According to Palmer's testimony to the Kerry committee and a March 31, 1988 memorandum from the SAS legal advisor to the OGC Assistant General Counsel, Palmer contacted the Agency through the prime contractor's security officer and secretary. However, the March 26, 1987 memorandum indicated that Palmer contacted CIA officers as well as the prime contractor, in an effort to have the DC-6 released by Customs.

846. The SAS Contracts Branch Chief at the time of the Miami incident, says that she called Air Branch after receiving a call from the prime contractor's secretary. She says that she then called Palmer who was waiting at a pay phone and told him that "we're working on it via Customs, and sit tight."

847. The drafter of the March 26 memorandum says that it was standard procedure for subcontractors to have the telephone number of the an air operations officer in case there were maintenance problems with the aircraft. He states that the problem CIA faced with contractor and proprietary aircraft was that they looked like drug planes going back and forth regularly from Latin America to Key West or Miami. He says Customs assumed that anyone flying from Latin America was a possible drug trafficker. The aircraft and crews were suspect because they came from Miami and fit the Customs profile. He asserts that being branded a "druggie" by DEA

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[31] The Kerry Report noted that, throughout Palmer's career as a government informant, the various agencies using him did not seem to know that he was involved with more than one agency in more than one operation. Palmer's varied operations all involved the same airplane, and the result was "chaos and confusion." The DEA eventually persuaded the Detroit prosecutor to drop the indictment against Palmer, because of his cooperation with law enforcement.

or Customs did not mean much in the 1980s. The Agency, he asserts, thought that Customs often overreacted.

848. According to an April 8, 1987 MFR by an OGC attorney, CIA officers met with senior Customs officials on April 7, 1987 concerning the Miami DC-6 incident. According to the MFR, "Customs . . . was concerned that, because of the crews' records on this flight, some Agency flights could be used to smuggle drugs." In addressing this concern, the MFR indicated that CIA reaffirmed to Customs that CIA was not seeking any preferential treatment for Agency-sponsored flights and that "CIA expect[ed] that these flights will be treated the same as any other flights." This would include, according to the MFR, the right of Customs agents to search the plane and its contents and to seize any contraband.

849. According to the OGC attorney's MFR, the Customs officials were satisfied that CIA's and Customs' understanding of the procedures were the same. However, Customs "was still concerned that some crew members may have previous involvement in drug trafficking." Customs officials then asked about CIA procedures to "check the crews hired for the Central American flights." The MFR indicated that an Air Branch Chief officer, explained that:

> . . . we have several contracts with different aviation companies and that while we trace the principal individuals with whom we are in contact, it is possible that these principals sub-contract for others who are not necessarily traced by us. In addition, the traces we do have been through Agency records and do not necessarily include criminal records available to DEA and Customs.

850. According to the OGC attorney's MFR, Customs requested that CIA henceforth supply Customs with not only the name of the pilot and tail number of the aircraft, but also the names, dates and places of birth of all crew members and passengers on Agency-sponsored flights so that Customs records could be checked. Customs also asked CIA to supply this information for the crews and passengers of all Agency sponsored flights dating back to August 1984. The Air Branch officer "indicated that CIA had no problem in

furnishing this data and that he would forward it as soon as possible." The last paragraph of the MFR indicated that:

> One issue that was not fully addressed at the meeting is the Agency policy on the use of pilots and crews who surface in Customs records with suspected or known involvement in drug trafficking. It may be that Customs will pay more attention to those flights whose crews are listed in their records. This is an issue that needs to be addressed further. It was mentioned in a preliminary fashion that we may wish to [question] suspected crew members as to their activities during their employment with us.

851. The Air Branch Chief also recorded the meeting with Customs in an April 7 memorandum to the Chief of Special Activities Staff. That memorandum indicated that he pointed out to the Customs officials that "It is virtually impossible to check on every individual who becomes involved in sub-contract situations with [CIA]."

852. Following the Miami DC-6 incident and the April 7, 1987 meeting with Customs, ADCI Gates sent a memorandum to DDO Clair George on April 9, 1987 entitled "Customs and Agency-Sponsored Flights to Central America." That memorandum established more stringent vetting procedures for contractors and prohibited CATF from using known or suspected drug traffickers:

> It is absolutely imperative that this Agency and our operations in Central America avoid any kind of involvement with individuals or companies that are even suspected of involvement in narcotics trafficking. This must be true not only of those with whom we contract, but also their subcontractors. I believe it is essential that we obtain the names of all aircrew personnel who have any association with Agency contractors or subcontractors and vet those names through DEA, Customs and the FBI--even though this is likely to be an onerous and occasionally inconvenient undertaking--and perhaps even hamper operations at times.
>
> OGC and the DO should work together with Customs to develop procedures to ensure that these instructions are carried out on a continuing basis. Furthermore, per my conversation with the Commissioner of Customs, it should be clear that CIA seeks no

> preferential treatment with respect to facilitating clearances and that Agency-sponsored flights are to be treated the same as any other flights. In those rare instances where sensitive cargo is involved, such Agency-sponsored flights will also be subject to Customs search . . . .

853. In response to the Gates memorandum, CATF requested traces from DEA, Customs and the FBI in April, May and June 1987 concerning Vortex/Universal, the prime contractor and the officers and employees of those companies. DEA responded in an April 28, 1987 memorandum from the DEA Deputy Assistant Administrator for Intelligence indicating that Palmer had been arrested in Colombia in 1985 in connection with the seizure of an aircraft and 1,000 pounds of marijuana. He was also, according to the DEA response, "criminally associated with aircraft N22VX (formerly N3434F), which is suspected of off-loading 19,000 pounds of marijuana" in Northern Mexico destined for the United States in September 1986.

854. The April 28, 1987 DEA memorandum stated that Herreros was "criminally associated" with aircraft N3434F--the same aircraft that had been implicated in the suspected drug smuggling incident involving Palmer in Mexico. DEA's El Paso Intelligence Center had reported that Herreros had purchased this aircraft for $125,000 in cash for the purpose of marijuana smuggling. DEA also reported that Herreros was identified as being "criminally associated" with various aircraft in FAA "lookouts" in the late 1970s, and as an alleged part-owner of an aircraft that had been used to smuggle cocaine into Miami.

855. The April 28 DEA memorandum also stated that Universal Air of Miami had been incorporated by three individuals. These individuals were reportedly investigated by DEA/Tucson for their association with a fourth individual in the distribution of multi-kilograms of cocaine during 1984-1985.

856. Further, according to the DEA memorandum, an aircraft of the prime contractor had been seized at a Colombian airstrip in January 1978 along with "165 tons of marijuana." The prime contractor was also linked to the seizure of another aircraft in

Colombia in January 1978, but the DEA memorandum did not indicate whether the seizure was drug related.

857. The April 28, 1987 DEA memorandum also reported that an aircraft of the prime contractor had been modified in 1981 in a manner that led the source to believe the aircraft was to have been used for narcotics-related activity. A December 12, 1988 memorandum to the LA Division Deputy Chief from a CATF officer noted that " . . . these modifications are consistent with those needed for [Contra] airdrop activity." An unsigned, handwritten note in the margin of the CATF memorandum noted that there was "no activity [by the prime contractor] for [CIA] during this period."

858. On May 13, 1987, Customs responded to the CIA trace request. The Customs response indicated that Al Herreros, Vortex/Universal's president, was a suspected drug trafficker. Customs' records reportedly indicated that Herreros "[was] believed [in 1985] to be engaged in smuggling narcotics via aircraft" and was doing business as Vortex Sales and Leasing. He was also reported to be associated with "documented smuggler" John Lett. In a June 24, 1987 cable to CIA, Customs described the source of this information as "highly reliable" and noted that the source had acquired the information from Herreros himself.

859. An August 18, 1987 FBI cable to Headquarters--in response to a May 1, 1987 CIA cable--and the April 28, 1987 memorandum from the DEA Deputy Assistant Administrator for Intelligence provided no derogatory information on the president of the prime contractor. A May 13, 1987 cable from Customs to Headquarters provided information that he had been involved in possible neutrality and munitions control violations in 1977. The FBI, DEA and Customs responses to the CIA trace request reported no links between him and drug trafficking. The DEA and Customs trace responses also indicated that other employees of Vortex/Universal and the prime contractor--Michael Palmer, Joseph Haas, Alberto Prado Herreros, Maurico Letona, Martin Gomez, Donaldo Frixone, and two pilots for the prime contractor--all of whom were affiliated

with the CIA Contra support program, may have been involved in narcotics trafficking prior to their relationship with the Agency.[32]

860. On February 25, 1988, the Assistant General Counsel and an OGC attorney met with a representative from DEA's Office of General Counsel regarding the prosecution of Frank Correa--a Colombian drug kingpin. According to a March 8, 1988 Assistant General Counsel MFR regarding that meeting, the Agency became aware of federal criminal prosecution against Correa who was indicted in Detroit for drug trafficking. Palmer reportedly participated as a law enforcement informant in the September 1987 sting operation that resulted in Correa's arrest. The MFR stated that DEA provided funds for Palmer to lease a plane, hire a crew and pick up a load of drugs in Colombia. Correa flew back to the United States with Palmer and the drugs and was arrested when the plane landed in Michigan. As a result of Palmer's cooperation in this case, DEA reportedly was able to have Palmer's earlier indictment for drug trafficking dismissed.

861. The Assistant General Counsel's MFR also noted that Correa's attorneys were alleging that Palmer was a CIA asset and that Vortex/Universal was an Agency proprietary. The claims were based on an April 4, 1987 CBS news story that alleged the Agency was protecting known drug dealers in order to carry out secret operations in Central America and focused on the Miami DC-6 incident involving Palmer.

862. The Assistant General Counsel was the OGC attorney responsible for any Agency involvement in the Correa case. She recalls that Correa's lawyers sought information concerning Palmer's relationship with the U.S. Government and the Agency undertook a file search in response to a "discovery request" from them.

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[32] According to the May 13, 1987 Customs response, another Vortex/Universal pilot affiliated with the Contra program was briefly detained at a Florida airport by INS in 1986 "when he could not produce an INS I94 card." The Customs response stated that the aircraft that the pilot was flying "is allegedly involved in smuggling operations" although the precise nature of the alleged smuggling activity was not specified.

863. As part of the file search that was initiated on April 6, 1988, for information in response to the discovery request by Correa's lawyers, the SAS legal advisor sent a cable to the former CATF contractor who had overseen support for the Contras at the time and was now serving overseas. The SAS legal advisor's cable requested, among other things, "any information you may have regarding [CIA] suspicion or knowledge, or your suspicion or knowledge that Palmer and/or his associates at Vortex/Universal Air Leasing were involved in narcotics trafficking." The CATF contractor's April 8, 1988 reply stated that he "had no suspicion or knowledge of Palmer/Vortex narcotics trafficking

864. On May 6, 1988, Agency officers--David Pearline, OCA; OGC's Assistant General Counsel; the OGC attorney serving as CATF compliance officer; and three other CATF officers--met with the president of the prime contractor to inform him that the "Hughes Subcommittee on Crime" intended to subpoena him as part of its investigation into alleged ties between CIA, the Contras and drug trafficking. According to a May 9, 1988 OGC MFR regarding the meeting, the president of the prime contractor stated that his company's relationship with Palmer and Vortex/Universal began in late 1985 when CIA's SAS Air Branch asked him to meet with Ambassador Duemling, Director of the NHAO. NHAO needed to find a replacement for the company it was then using for humanitarian aid flights. The president reportedly recommended Vortex/Universal and, after speaking with Herreros, put Palmer in touch with the NHAO. The MFR noted that he said he had only sporadic contact with Palmer during the time that NHAO contracted with Vortex/Universal.

865. He also added at the May 6 meeting, according to the OGC MFR, that the CATF contractor had checked Vortex/Universal and Palmer with U.S. Customs and DEA at the time the NHAO was considering using Vortex/Universal as a carrier. Both agencies, he said, gave glowing reports concerning Palmer and indicated that he had worked with them on sting operations. The OGC MFR also indicated that he said he had told the CATF contractor who oversaw support for the Contras at the time in April 1986 that Palmer had

been arrested by the FBI in Miami on drug trafficking charges. He also said that a decision had been made at that time that the president should have no further contact with Palmer. The president of the prime contractor stated that Palmer's subsequent indictment--in June 1986--was discussed in November 1986.

866. Agency records that describe the NHAO-Vortex/Universal relationship differ in one respect from the statements of the president of the prime contractor. A March 31, 1988 memorandum from the SAS legal advisor to the OGC Assistant General Counsel stated that the president of the prime contractor had recommended Palmer and Vortex/Universal to the NHAO, but made no mention of an Air Branch request that the president of the prime contractor meet with Ambassador Duemling. The former CATF contractor who oversaw support for the Contras at the time of the NHAO's contract with Vortex/Universal also stated in his April 8, 1988 cable that responded to the SAS legal advisor's request for information that the president of the prime contractor had recommended Vortex to NHAO on his own initiative, and that either the former CATF contractor or Fiers had concurred in the recommendation. The former CATF contractor's cable ended by pointing out that the "NHAO was in a position to accept or reject any carrier." According to the April 4, 1988 OCA MFR of a March 31 Agency briefing to the HPSCI, HPSCI Staff member Dick Giza stated that Fiers had said in a February 2, 1987 briefing to HPSCI that he had referred NHAO to Vortex/Universal.

867. The president of the prime contractor says that he believes he learned of Palmer's arrest from someone in the Agency, but he cannot be sure because it was such a long time ago. Further, he recalls a lot of discussion with Agency personnel in the fall of 1986 about Palmer's drug arrest. He recalls that the attitude among the participants in these discussions was that the Agency needed a plane that was "clean" and the fact that Palmer had been indicted for drug trafficking was "irrelevant."

868. One of the air operations officers identified by the president of the prime contractor says that he was told by an Air

Branch officer, whose name he cannot recall, at a meeting in late 1986 that Palmer had been under investigation, but that everything was fine and Palmer was now in the clear. The officer says he does not recall being told that Palmer had been indicted for drug trafficking, but says the implication was that there were allegations that Palmer was a drug trafficker.

869. A June 7, 1988 cable responded to a CIA/OIG request for information as part of an investigation into the Agency's connection with Palmer. The cable stated that the president of the prime contracting company had discussed Palmer at a November 1986 meeting with FDN representatives. The president, according to the cable, mentioned that Palmer had been "questioned for a possible connection with drugs." Furthermore, the cable stated that Palmer had "volunteered" information at a meeting at Vortex/Universal, that he had been questioned about drug trafficking and that he had taken the issue "very seriously and had legally cleared the issue." The officer also stated in the cable:

> I have no knowledge or information that would make me suspicious that Palmer or Vortex [/Universal] were involved or connected with narcotic trafficking. The up front attitude and explanation from Palmer about the subject further dispelled suspicion.

870. Dupart states that he has no recollection of a May 1988 meeting at which, as claimed by the president of the prime contractor, Palmer's indictment was discussed, nor can he recall any other discussion of that subject with the president. Dupart notes that, in the aftermath of the Iran-Contra affair, matters like the Palmer case would not have been overlooked. The president, Dupart observes, is "loose with the facts."

871. The OGC Assistant General Counsel recalls that the statement of the president of the prime contractor at the May 1988 meeting that he had discussed Palmer's arrest with a CIA official in 1986--prior to the March 21, 1987 Customs incident--caused quite a stir at the meeting because Agency personnel realized this meant that erroneous information had been given to Congress in the March 14,

1988 briefing. At that briefing, Agency personnel had stated that CIA was not aware of Palmer's arrest until after the Customs incident. Once they realized this, she says they went back to Congress and corrected the error.

872. The OGC attorney who served as CATF compliance officer at the time, recalls the May 1988 meeting. However, she says she has no recollection of a discussion about drug trafficking. She says that, in general, drug trafficking was not a priority at the time in CATF--"it would not hit a register." She also has no recollection that any action was taken after the meeting. Two of the other officers the MFR indicated had attended the May 1988 meeting with the president of the prime contractor do not recall participating.

873. CIA's OIG opened an investigation regarding CIA's involvement with Palmer in May 1988. The CIA/OIG Investigator says that she was assigned the investigation on an "urgent basis." A May 16, 1988 memorandum from her to Inspector General William Donnelly reporting the results of her investigation stated that OIG opened the investigation as a result of "Congressional concern" regarding allegations that "CIA had knowledge of and assisted Vortex Aviation pilot Michael B. Palmer's drug activities."

874. A May 7, 1988 CIA/OIG cable to the former CATF contractor who oversaw support for the Contras at the time informed him that the president of the prime contracting company had said at the May 6 meeting that he had told the contractor about Palmer's arrest in April 1986. The cable noted that the contractor had asserted earlier in his April 1988 response to the SAS legal advisor's cable that he was not aware of Palmer's involvement in narcotics trafficking and requested that he "clarify the facts." The former CATF contractor responded in a May 23 cable that he recalled being informed by the president of the prime contractor of Palmer's arrest. While he said he could not recall the exact date, it was after the NHAO flights ended.[33] He also said he recalled that he "immediately" informed Fiers of the information about Palmer's arrest. The former CATF contractor's

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[33] The NHAO flights ended on June 30, 1986.

cable also said that he did not recall any other CATF personnel being present when he advised Fiers of Palmer's arrest.

875. The former CATF contractor says he does not recall Fiers' response when told about Palmer's arrest in April 1986, but he assumes Fiers told Ambassador Duemling about it. The contractor states that he does not know much else about the Agency's handling of the Palmer incident because he was transferred in August 1986.

876. The former CATF contractor also states that he cannot explain why--after being told of Palmer's arrest by the president of the prime contractor in April 1986--he replied to the SAS legal advisor's cable in April 1988 that he had no knowledge of it. He speculates that the SAS cable reached him when he was in the field, and those were "long days with many things happening." The Palmer issue, he says, was "probably not the most important thing that happened that day." However, he says that the OIG cable noting the comments of the president of the prime contractor jogged his memory when he received it in May 1988.

877. Dupart asserts that, contrary to the former CATF contractor's account that he reported Palmer's arrest to Fiers sometime in early-1986, CATF was not aware of Palmer's arrest and indictment for drug trafficking until March 1987. He says he does not believe the former CATF contractor told Fiers about Palmer's arrest prior to March 1987 because the contractor would have had to go through Dupart on a matter like this and he has no recollection of ever discussing Palmer with the contractor. Moreover, Dupart states that "this was the kind of thing Fiers would have discussed with me, and no such discussion ever took place."

878. Fiers, in his written response to CIA/OIG questions, states that he does not recall being told by the former CATF contractor about Palmer's arrest in April 1986. Further, Fiers says that he has spoken "on the record" about Vortex/Universal and Palmer--"perhaps with the Independent Counsel [for Iran-Contra], perhaps with members of Congress." Fiers' written response notes that he "certainly became aware" that Palmer was "a problem" in the "late

spring or early summer of 1987" and that "he had to be distanced from Central America operations." Fiers' written response states that "without going into extensive review of the records to refresh my memory . . . I cannot comment further, other than to say that I had no information that Palmer was using our operation for drug smuggling." Fiers' written response asserts that he was unaware of any rumors or conversations concerning Palmer and drug trafficking.

879. According to handwritten notes compiled by the OIG inspector in the course of the May 1988 CIA/OIG investigation, a detailee to CATF ran traces on Palmer in late December 1986 or early January 1987. The detailee reportedly stated that there were "whisperings" about Palmer and the detailee "remembers explicitly" that the traces showed Palmer was "under investigation" for drug trafficking. The notes also stated that the detailee passed the derogatory information about Palmer from the traces to Fiers, who passed the information "on up the line and [a] decision [was] made at a higher level to go ahead and use [Palmer]."

880. The OIG inspector's notes also stated that she discussed the information provided by the detailee regarding the Palmer traces with the SOG CATF Deputy Chief, who was the military detailee's supervisor beginning in May 1987. According to the notes, the Deputy Chief "reluctantly" said that she thought that the detailee was confused and that he was a "major stumbling block" concerning traces and that the detailee was "unable to distinguish between Agency and external traces" and that he believed there was "no need to trace people." The OIG notes indicated that the Deputy Chief said that she had to relieve the detailee of his duties "for cause," because he was causing unspecified problems.

881. The Deputy Chief says that she did not verify whether the detailee had conducted traces on Palmer. She also says she does not recall learning that a trace had been done regarding Palmer in December 1986 or January 1987, prior to the April/May 1987 traces. The March 21, 1987 Miami DC-6 incident was when Palmer first "burst on people," the Deputy Chief states.

882. The May 16, 1988 inspector's memorandum to IG Donnelly providing the results of her investigation regarding the Agency's involvement with Palmer stated her conclusion that allegations that CIA had knowledge of and assisted Palmer's drug trafficking activities were "without foundation." Further, the memorandum concluded that:

> . . . there is no basis for the allegation that an Agency employee was aware of Mr. Palmer's drug activities when that employee concurred in a recommendation of Palmer/Vortex, made by . . . [the president of the prime contracting company] circa December 1985-January 1986 to the . . . Nicaraguan Humanitarian Assistance Office.

The memorandum did not mention any allegation or information indicating that CATF may have decided to use Vortex/Universal and Palmer after CATF reportedly became aware of Palmer's arrest and later indictment on drug trafficking charges. No information has been found to indicate that CIA/OIG produced a formal report concerning this investigation, or that the OIG inspector's May 1988 memorandum was made available to CIA management by IG Donnelly.

883. The OIG inspector says that she did not address the question of CATF's relationship with Vortex/Universal in her memorandum because she did not have enough facts at the time to reach a conclusion. She states that no one she interviewed could recall much about Palmer's drug arrest. Moreover, she says that she received little cooperation from CATF or the DO in response to her requests for documents. She recalls that CATF records "were unavailable, unobtainable and undiscoverable."

884. She states that she tried to interview Dupart at the time regarding the Palmer issue, but he refused to discuss the matter because he had moved to one of the Intelligence Oversight Committee Staffs--HPSCI--and he believed commenting on the matter would be inappropriate. She says she never got around to interviewing Fiers because she was assigned another urgent

investigation into Agency activities in Honduras. Dupart says he has never refused a request to be interviewed by OIG.

885. She does not know why there is no record of a final CIA/OIG report concerning the Palmer investigation, but speculates that it may have been because she was told to drop everything she was working on in June 1988 to focus on the investigation involving Honduras. She says the Palmer issue may have "fallen through the cracks" as a result. No information has been found to indicate that the Palmer matter was examined subsequently by any CIA component other than CIA/OIG.

886. **Information Sharing with Other U.S. Government Entities.** On March 14, 1988, according to a March 29 MFR prepared by OCA's David Pearline, he and OGC's Assistant General Counsel described the circumstances surrounding the Miami DC-6 incident and the Agency's relationship with Palmer to the Judiciary Subcommittee on Crime Staff members. The Staff members reportedly asked whether the Agency had realized that Palmer was a DEA informant who had been indicted for drug trafficking. OGC's Assistant General Counsel responded, according to the MFR, that the Agency was not aware of Palmer's indictment or his DEA connection until the Miami DC-6 incident. On learning of his indictment, she said, the Agency terminated the relationship with Palmer and Vortex/Universal Air. This information was also conveyed to the SSCI and HPSCI Staffs on March 31, according to the MFR.

887. According to an April 4, 1988 MFR regarding the March 31 briefing to HPSCI Staff members, OCA expressed concern that Palmer would reveal the Agency's ties to the prime contractor at his upcoming testimony before the House Judiciary Committee Subcommittee on Crime. Further, OCA informed the HPSCI Staff members that the Agency anticipated that the Crime Subcommittee would press for operational information in its investigation into drug smuggling by the Contras. OCA requested the HPSCI's assistance in handling these inquiries. The MFR indicated that Michael O'Neil of the HPSCI Staff responded that the Judiciary Committee's inquiry had the full support of HPSCI members and that the HPSCI was not

in a position to provide any assistance to CIA in limiting the Judiciary Committee's probe into intelligence activities that related to its investigation.

888. Following the May 6, 1988 meeting, the president of the prime contractor, OGC's Assistant General Counsel, Pearline, and two CATF officers met on May 11 with two House Judiciary Subcommittee on Crime Staff members. A May 16 OCA MFR concerning that meeting reported that OCA had corrected the information given earlier to the Subcommittee Staff regarding when the Agency first learned that Palmer had been arrested for drug trafficking. OCA reportedly said that:

> . . . at least two Agency officers (Fiers and the [former CATF contractor]) knew about Palmer's drug dealing before the Agency agreed to buy an aircraft from [Vortex/] Universal Air Leasing and approved the subcontracting ... to [Vortex/] Universal Air Leasing of the servicing of aircraft flying resupply flights for the Contras.

OCA reportedly also informed the Staff members that the Agency was "still looking into this matter." The Subcommittee Staff requested that the Agency inform it of the results of any investigation. The same information, according to the MFR, was shared with David Holliday of the SSCI Staff and O'Neil of the HPSCI Staff on May 13 and May 16, respectively.

889. No information has been found to indicate that the results of the 1988 CIA/OIG investigation or any other CIA inquiry into this matter were communicated to the SSCI, HPSCI, or the House Judiciary Subcommittee on Crime.

890. **CIA Vetting Role.** As noted earlier, Agency records indicate that the president of the prime contracting company claimed in 1988 that he had met with Ambassador Duemling of NHAO in 1985 and, during the course of the meeting, had recommended that NHAO utilize Vortex/Universal. However, Agency records differ in whether he says he contacted Ambassador Duemling on his own initiative or if he was responding to a request from CIA officials that

he meet with the Ambassador. In any event, an April 4, 1988 OCA MFR indicated that HPSCI Staff member Dick Giza said that Alan Fiers had said in a February 2, 1987 briefing to HPSCI that he had referred NHAO to Vortex/Universal. Fiers' written response to OIG questions also indicates CIA played some role in steering NHAO to Vortex/Universal since Fiers states that he "specifically recalls discussions with Ambassador Duemling" pertaining to the vetting of air carriers for NHAO.

Hondu Carib

891. **Background.** According to the December 1988 Kerry Report, one of the pilots who flew Contra resupply missions for SETCO was Frank Moss. The Kerry Report also noted that Moss had been under investigation since 1979 for drug trafficking but reportedly was never indicted. In 1985, Moss formed his own company, Hondu Carib, which flew supplies to the FDN. The Kerry Report indicated that the FDN's arrangement with Moss and Hondu Carib was based on a commercial agreement between Moss and Mario Calero, the FDN's chief supply officer. Under that agreement, Calero was to receive an ownership interest in Moss' company.

892. Also according to the December 1988 Kerry Report, one of the Moss planes that was used to ferry supplies to the Contras was chased off the west coast of Florida by the Customs Service while it was dumping what appeared to be a load of drugs. When the plane landed in Port Charlotte, Florida, an inspection revealed significant marijuana residue on board. The plane reportedly was seized by the DEA in March 1987.

893. **Allegations of Drug Trafficking.** On March 31, 1984, Headquarters was informed by cable that Moss was among a group suspected of using a DC-4 owned by Hondu Carib in drug and arms trafficking through the Merida, Mexico International Airport. The aircraft reportedly flew from the United States to Honduras or Guatemala and then to Merida, ostensibly to pick up fish for export to Tampa. The aircraft had reportedly been searched by Mexican authorities and DEA agents with negative results. However, DEA agents were suspicious because of the aircraft's circuitous route and the fact that all of the individuals connected with the plane had previous drug trafficking records. This information reportedly had been brought to the CIA's attention by DEA because Moss and the others had claimed at the time of the search that they were connected with or worked for the Agency. No information has been found to indicate that Headquarters responded to the March 1984 cable.

894. A July 9, 1984 cable to Headquarters described Moss' company, Atlas Aviation, as a "shoestring cargo operation and hungry for business," that was "normally employed in transporting fresh fish and fruits from Central America and Mexico to the United States." The cable noted, however, that Atlas' "business profile fits the U.S. Customs narcotic trafficking profile," and the company was in the Customs computer as a "suspicious operation." Consequently, Atlas was "closely watched and thoroughly checked at all U.S. airports of entry and in Mexico, but not in other countries." Nonetheless, according to the cable, Atlas had a "clean record" with Customs and "will not become involved in drug trafficking or any other illegal activity which could damage their record."

895. The July 1984 cable also pointed out, however, that Atlas is "hungry enough to walk a thin line in other countries," and that the company was aware of all international traffic regulations and procedures and "how to circumvent them if necessary." The Station added that Atlas had accomplished "very confidential modifications on [*sic*] low profile customers and aircraft for sensitive use."

896. As mentioned earlier, the Kerry Report indicated that one of the planes Moss used to carry Contra supplies had been seized in March 1987 by DEA after dumping what appeared to be drugs off the Florida coast and that significant marijuana residue was found on board at the time. According to an April 28, 1987 cable, the names of two CIA officers and their telephone numbers were included in Moss' notes that were seized by DEA when the aircraft was confiscated.

897. At an April 7, 1987 meeting between CIA and Customs officials in connection with the March 1987 Miami incident involving Michael Palmer and a DC-6 Vortex/Universal aircraft, Customs officials also raised issues relating to the March 1987 seizure of Moss' DC-4. According to the April 7 memorandum summarizing that meeting that was prepared by the Air Branch Chief, Customs was informed that "there is no linkage of this aircraft or Mr. Moss to [CIA]."

898. A May 12, 1989 FBI report concerning Moss indicated that DEA's search of Moss' aircraft in March 1987 had resulted in no narcotics evidence being discovered and that the aircraft had subsequently been released to Moss. Further, the FBI report noted that Customs had an open case on Moss as of November 1988, but there was no evidence to substantiate the drug trafficking allegations against him.

899. On May 26, 1987, a cable reported to Headquarters that Moss was trying to generate business with the FDN by offering to fly air resupply drops inside Nicaragua. CATF responded on June 3 that it was concerned about Moss' possible ties to "druggers and the FDN." Headquarters also requested that the field "look into the ties with Moss and the FDN further and keep us advised." No information has been found to indicate that any further action was taken or that any additional information was generated in response to this request.

900. A former CATF NOG Chief's initial recollection was that Moss may have been involved briefly with the Contra program, but that the Agency's relationship with him was terminated on the basis of something that happened with respect to keeping files on an aircraft. However, based upon further reflection and review of relevant records, he stated that Moss may have actually flown "stuff" for the Private Benefactors, not the Agency. No other Agency officers could recall any relationship between the Agency and Moss or his company. No information has been found to indicate any relationship between CIA and Moss or his company at any time.

901. **Information Sharing with Other U.S. Government Entities.** Apart from the meeting with Customs officials on April 7, 1987, no information has been found to indicate that the Agency provided information concerning Moss or his company to other U.S. Government intelligence or law enforcement agencies or the Congress.

902. **CIA Vetting Role.** A February 25, 1986 Headquarters cable noted that Moss had approached the NHAO in early 1986 with a proposal for Hondu Carib to provide air services for the NHAO. The cable requested information on the company's suitability for flying NHAO cargo missions. No information has been found to indicate there was a reply to this request. No information has been found to indicate that Agency personnel retrieved and considered the March and July 1984 cables regarding Moss and his companies or that the Agency requested further information from U.S. law enforcement agencies concerning Moss or Hondu Carib at this time. No information has been found to indicate whether CIA provided any information regarding Hondu Carib to the NHAO.

903. A February 26, 1986 Headquarters cable indicated that the Agency received an inquiry from NHAO in February 1986 regarding the use of Hondu Carib as a conduit for the delivery of humanitarian assistance to the Contras.

Allegations Involving Other Companies Associated With the Contras

904. Allegations were made regarding two companies, Southern Air Transport and Markair--that were involved in supporting the Contras.

Southern Air Transport

905. **Background.** Southern Air Transport (SAT) carried a variety of equipment, supplies and humanitarian aid for the FDN during the 1980s.

906. **Allegations of Drug Trafficking.** A January 21, 1987 memorandum from ADCI Robert Gates to Morton Abramowitz, Assistant Secretary of State for Intelligence and Research, stated that the U.S. Customs Service had advised CIA that the Customs office in New Orleans was investigating an allegation of drug trafficking by SAT crew members. The Gates memorandum noted that the source of the allegation was a senior FDN official. The memorandum indicated that the FDN official was concerned that "scandal emanating from Southern Air Transport could redound badly on FDN interests, including humanitarian aid from the United States."

907. A February 23, 1991 DEA cable to CIA linked SAT to drug trafficking. The cable reported that SAT was "of record" in DEA's database from January 1985-September 1990 for alleged involvement in cocaine trafficking. An August 1990 entry in DEA's database reportedly alleged that $2 million was delivered to the firm's business sites, and several of the firm's pilots and executives were suspected of smuggling "narcotics currency."

908. **Information Sharing with Other U.S. Government Entities.** As previously noted, a January 21, 1987 memorandum from ADCI Robert Gates to Morton Abramowitz, Assistant Secretary of

State for Intelligence and Research, reported that U.S. Customs had informed CIA that the Customs office in New Orleans was investigating an allegation of drug trafficking by SAT crew members.

Markair

909. **Background.** A June 24, 1986 Headquarters cable indicated that Markair flew the last three support flights for NHAO in late June 1986.

910. **Allegations of Drug Trafficking.** On October 14, 1987, CIA requested traces concerning Markair from U.S. law enforcement agencies. The October 21 Customs Service response reported that the company was "strongly suspected" of owning an aircraft that had been used in 1984 to smuggle cocaine into the United States from South America. Further, according to Customs, the aircraft was sold that same year by Markair to "a large scale . . . [unnamed] drug trafficking organization recently convicted in federal court." Customs reported also that it was investigating the financial activities of Markair and its officers because of "large cash movements to and from Mexico and other foreign countries."

911. An October 26, 1987 MFR by the CATF Deputy Chief indicated that he had contacted the Intelligence Section of the Customs Service that same day to determine whether the information in the Customs response to the CIA trace request was "sufficiently well-sourced to exclude Markair from contracting with the U.S. Government." According to the MFR, the Customs Intelligence Section indicated that the drug trafficking information was "only speculation." The MFR stated that Customs reportedly had confirmed that Markair had sold the aircraft to a major narcotics smuggling ring, but "the sale to this group may have been a legitimate business deal and not drug related." According to the MFR, Customs indicated that the information concerning Markair officers carrying large quantities of cash was "certain," but the Intelligence Section reported that "such behavior is common in the air charter business and thus is not by itself suspicious. Customs advises there is no current investigation open involving Markair." The MFR concluded by noting that the Customs Intelligence Section

"would not exclude" the use [by the U.S. Government] of Markair "solely on the basis of information in Customs' files."

912. **Information Sharing with Other U.S. Government Entities.** As noted earlier, an October 26, 1987 MFR indicates that the CATF Deputy Chief contacted the Intelligence Section of U.S. Customs on October 26 to discuss information provided by Customs regarding suspected drug trafficking activities by Markair.

Alan Hyde

913. **Background.** Alan Hyde is a Honduran citizen and businessman whose company, Mariscos Hybur, provided logistical support to the Contras from mid-1987 to late 1988 or early 1989.

914. **Allegations Of Drug Trafficking.** A September 1984 report from the U.S. Defense Attaché Office (USDAO) in Tegucigalpa stated that a "Mr. Hyde," who "purportedly owns some 15 boats and a fish processing plant in French Harbor [Roatan]," said that "he is making much money dealing in 'white gold,' i.e., cocaine." A USDAO comment in the report stated that the description "fits that of Alan Hyde of Mariscos Hybur S.A." A February 27, 1985 Headquarters cable summarized traces received concerning possible maritime narcotics trafficking in the Caribbean and cited the September 1984 USDAO report that "Hyde claims to be making a lot of money selling cocaine."

915. On October 30, 1985, a cable to Headquarters reported that Hyde had boasted in mid-October that Hyde had two U.S. Customs Service agents "in his pocket." Hyde had reportedly also said that he had friends in the "Cosa Nostra."

916. A December 1986 report from the U.S. Coast Guard's Miami office stated that organized criminal activity on Roatan Island had been increasing for the prior two years, according to two reliable sources. The Coast Guard report cited "rumors" that cocaine was warehoused on Roatan for shipment on coastal cargo and fishing vessels bound for south Florida. Named among the associates of the "organized criminal organization" were Hyde, owner of Hyde Shipping of Miami, and members of his family. The Coast Guard report also cited sources who named Hyde as the master of the vessel F/V Bobby in 1985 as a favor to Pablo Escobar, a major Colombian cocaine trafficker. Hyde was also rumored to be involved in loading cocaine into containerized cargo at Puerto Cortez, Honduras.

917. On December 31, 1986, the U. S. Coast Guard/Miami issued a report to CIA indicating that Hyde's brother-in-law had sold up to six kilograms of cocaine in February-October 1986. The report also cited sources who claimed that Hyde Shipping purchased fishing vessels in Brownsville, Texas, in 1986 that were to have transited the Panama Canal, but instead sailed directly to Cartegena, Colombia, to be outfitted for drug smuggling.

918. An April 22, 1987, Headquarters cable stated that U.S. Government law enforcement agencies were "very familiar" with Hyde and others on Roatan Island. These individuals, according to the cable, were believed to be involved in international drug trafficking.

919. An unsigned, undated memorandum marked with a handwritten notation that stated "FM: USG C. July 1987" described Hyde as a "big time drug trafficker" who "probably runs cocaine to U.S. using the Hybur Clipper or Hybur Transport." It is "strongly believed," the memorandum stated, that the Hybur Clipper, a vessel operated by Hyde Shipping, "is or has been used to transport cocaine to Miami." Hybur Transport, it was noted, "is believed to have been used for cocaine transport as early as 1976." The memorandum cited three unsuccessful Coast Guard attempts--one in 1976 and two in 1985--to capture Hybur vessels believed to be running drugs, and noted that a "Luis Hyde" of Roatan had been arrested in January 1985 by the U.S. Coast Guard aboard a freighter carrying 200 pounds of cocaine. Business cards for Hyde Shipping were reportedly found on board. The memorandum did not indicate whether Luis Hyde was a relative of Alan Hyde.

920. A July 11, 1987 Headquarters cable stated that the U.S. Coast Guard had placed three Hyde vessels on its watch list for suspected drug smuggling. A July 20, 1987 cable to Headquarters reported that, according to Honduran military officers, there was a widespread belief that Hyde had been using his fishing fleet and personal plane for "at least the last five years for transporting illegal substances," including drugs. The cable added that Hyde was well connected to "highly placed Honduran officials" and that, while the

allegations against him cannot be confirmed," the popular belief is that Hyde has insulated himself from prosecution by judicious use of his money."

921. On September 23, 1987, the U.S. Coast Guard reported to CIA and other agencies concerning a smuggling network based in the Bay Islands located off the coast of Honduras. According to reliable sources cited in the Coast Guard report, Hyde was the "'godfather' for all criminal activities originating in the Bay Islands and the [Honduran] mainland." He had, the Coast Guard reported, allegedly maintained numerous bank accounts in Grand Cayman and in Panama, pressed the Government of Honduras to refrain from establishing a greater presence in the Bay Islands, and diverted weapons destined for the Contras. On October 9, 1987, a cable to Headquarters indicated receipt of a Honduran report that named Hyde and several others on Roatan as suspected narcotics traffickers.

922. On March 17, 1988, the Agency's Directorate of Intelligence issued an intelligence assessment entitled "Honduras: Emerging Player in the Drug Trade." That assessment stated that a U.S. Coast Guard source had identified Hyde and another family in the Bay Islands as using their legitimate businesses to transport cocaine refining chemicals and guns from the United States to Honduras on commercial fishing vessels. The source reportedly alleged that the chemicals were destined for two cocaine processing labs on Roatan or for processing operations in Colombia. Another Coast Guard source cited in the assessment claimed Hyde had laundered $4-5 million through shell companies in Panama in 1986.

923. A March 9, 1988 memorandum from the Acting LA Division Chief to DDO Richard Stolz pertained to the use of Hyde and Mariscos Hybur. That memorandum cited February 1988 U.S. Coast Guard reporting that Hyde headed an air smuggling ring that operated out of Honduras with contacts in the Tampa/St. Petersburg area.

924. **CIA Response to Allegations of Drug Trafficking.** A CIA officer recalls that Hyde "offered his help" to the Agency in 1986.

However, CIA decided to reject this offer, he says, because a records check with U.S. law enforcement agencies produced derogatory information.

925. Another CIA officer recalls that there was a lot of radio communication between the field and Headquarters regarding Hyde. The first cable communication regarding these arrangements that has been found is a July 8, 1987 cable to Headquarters that included a summary of discussions with Hyde and indicated that using Hyde's vessels to ferry supplies would be more economical, secure and time efficient than using aircraft. The following day, July 9, CATF replied that information available at Headquarters indicated that Hyde might have ties to drug traffickers and directed CIA personnel "make no new commitments with Hyde until this information can be explored." The Headquarters cable, however, authorized a continuation of ongoing work.

926. Headquarters requested on July 10, 1987 that DEA, FBI and the U.S. Customs Service provide traces regarding Hyde. A July 11, cable summarized the derogatory information that was available to Headquarters at the time, but added that none of this information was "firm proof that [Hyde] is involved in [drug] smuggling or nefarious activities." Nonetheless, the cable stressed that:

> We cannot . . . authorize [CIA] entering a relationship with [Hyde] until we are satisfied, through traces and the use of other [Security resources], that he is not a threat to the security of our operations.

A copy of this cable included a handwritten notation to: "Press this very hard it is not a good thing." CATF Chief Fiers says in his written response to OIG questions that the notation is his. CATF Nicaraguan Operations Group (NOG) Chief states that Fiers remained knowledgeable of the Hyde issue and made sure it was taken care of properly.

927. A CIA officer recalls that it was not standard practice at the time to conduct traces concerning individuals or companies that

were overtly supplying commercial services to CIA. He remembers receiving "mixed signals" from Headquarters in regard to the relationship with Hyde There was a lot of pressure from Fiers and DCI Casey to get the "job done," as he recalls, but there were also low level Agency "functionaries" who were mainly concerned with following procedures. These people "were playing to an audience," the officer adds, wanting to make sure the Agency would be protected in case the congressional intelligence oversight committees "came calling." A former senior logistics officer recalls that it was not unusual at that time for Headquarters to tell the field to do something and then act surprised when it was done.

928. A CIA officer, whose component coordinated logistical support to the Contra program in the 1980s, says that it was Agency policy to run traces with other agencies regarding foreign contractors. She says Hyde was involved in an operation, there was derogatory information about him, and there was a need to make sure that everything was done right. She recalls that Fiers was constantly saying that "we need to know everything about this guy and getting [*sic*] proper approvals."

929. A July 11, 1987 reply to the July 9 cable from Headquarters ordering no expansion of the arrangements with Hyde warned that to:

> . . . pursue other alternatives at this time . . . could have an obvious backlash from Mariscos Hybur . . . . A literal interpretation [of the Headquarters order] will bring the . . . effort to a halt

930. A July 14, 1987 Headquarters cable advised that--even if the allegations against Hyde were to be favorably resolved--questioning of him still would be required concerning issues related to illegal drugs and arms trafficking. Headquarters concluded this cable by pointing out that "there is a very real risk that news of our relationship with subject, whose reputation as an alleged drug smuggler is widely known to various agencies, will hit the public domain--something that could bring our program to a full stop."

931. On July 22, 1987, a Headquarters cable stated that:

> . . . the DDO [George] received the following directive from DDCI Gates in April of this year. "It is absolutely imperative that this Agency and our operations in Central America avoid any kind of involvement with individuals or companies that are even suspected of involvement in narcotics trafficking. This must be true not only of those with whom we contract but also their subcontractors." This directive and our consistent policy of avoiding use of individuals who have links to drug smuggling has served CIA well. We have been able to deny involvement with individuals and organizations accused of drug smuggling. We have initiated priority traces with several other U.S. Government agencies and departments to get the full story on Hyde and Mariscos Hybur. At this point, preliminary information . . . is not encouraging.

CIA personnel in the field were again directed in the July 22 cable to look for alternative logistical means.

932. A CIA officer in the field says that there was never any misunderstanding on the drug issue. No one wanted to become involved with narcotics traffickers, and everyone was keenly aware that Congress would end the Contra program were the Agency so involved. At the same time, he asserts that there was nothing solid concerning Hyde, nothing that could be regarded as hard evidence. "If these allegations were true, DEA and the Coast Guard would have got him," the officer notes.

933. The former senior logistics officer states that he never believed the drug allegations against Hyde, whom he came to regard as a close friend. However, he allows that Hyde had 35 vessels at sea and it might have been possible for an employee of Hyde to use one of the boats for smuggling. He speculates that there were a lot of people in Honduras, including Honduran Government officials, who were jealous of Hyde and may have been the source of the drug trafficking allegations. The officer says that he was totally focused on getting the job done. After hearing the rumors, he discussed them and considered them with his supervisor, with the two of them taking "due care given the circumstances."

934. A July 18, 1987, cable to Headquarters opposed the questioning of Hyde by CIA Security that had been suggested in the July 14 Headquarters cable. The relationship with Hyde, the cable asserted, was "an overt, commercial transaction of short duration" similar to other commercial dealings CIA had, and it would be inappropriate to conduct an in-depth security questioning. The cable proposed to use Mariscos Hybur until the estimated project completion in less than two months because there was no alternative. Should Mariscos Hybur turn out to be the only viable long-term option, the Base added, it would then "reconsider" approaching Hyde to submit to questioning.

935. On July 20, 1987, DEA responded to the July 10 CIA trace request and reported no derogatory information other than an October 1983 report alleging Hyde's involvement in cocaine smuggling. On August 20, Customs reported no derogatory information on Hyde. A July 20 cable to Headquarters reported that Honduran Government files reportedly contained no derogatory information on Hyde, but noted that the Hondurans suspected Hyde of drug trafficking and of bribing Honduran officials to escape prosecution.

936. On July 27, 1987, OGC attorney W. George Jameson, then-Counsel to the DO, provided Fiers with a legal opinion regarding the use of Hyde:

> I see no legal impediment to proceeding as planned. Neither the firm, nor its owner, Alan Hyde, is under indictment or investigation to your knowledge, and the allegations of drug trafficking are not substantiated. Moreover, you have no independent basis to believe the accusations are true, and intend to take steps to ensure no possibility of trafficking occurs in the course of carrying out the terms of the contract . . . . Obviously, CIA use of a known drug smuggler would raise significant legal and policy implications. When Congress authorized a Nicaraguan paramilitary program, it prohibited the assistance it authorized from being provided to "any group that retains in its ranks any individual **who has been found to engage in . . . drug smuggling."** Although not directly applicable to the situation at hand, I think the analogy is instructive and sets a reasonable standard on which to

> determine how to proceed. It does not appear to me from the information you have provided that this standard has been met.

(Emphasis added.)

937. Jameson says that he was unaware in July 1987 when he authored the legal opinion to Fiers of the April 9, 1987 ADCI Gates memorandum prohibiting Agency use of known or suspected narcotics traffickers unless the allegations were cleared up. He states that his memorandum addressed only the legal issues, not operational or policy considerations. The Gates directive, he asserts, was a policy statement. Had he been aware of the Gates memorandum, Jameson says he would not have interpreted it to mean that Hyde could not be used, but that the Agency should do its best to obtain more information. In this regard, he says his own memorandum made clear that CATF needed to dig further into the allegations by checking with law enforcement agencies or with assets to determine whether these were reasonable allegations or unfounded. He was warning CATF to be careful. Jameson also says it should not be assumed or implied that he was aware of all that the Agency knew about Hyde at the time.

938. On August 5, 1987, Fiers sent a memorandum to DDO Clair George recommending that George approve the use of Hyde. The memorandum summarized all of the available derogatory information and acknowledged that Hyde was "not attractive and is the type of activity [*sic*] we wish to avoid." Fiers added, however, that the Agency had no choice but to use Hyde on the grounds of "operational necessity." The Fiers memorandum explained that there would be controls on Hyde that "should minimize the risks." The contract would not require him to do business in or enter the United States. Fiers concluded the memorandum by noting that the Agency had shared the derogatory information regarding Hyde with the FBI, U.S. Customs Service, DEA, and staff members of both congressional oversight committees and had informed them of CIA's intent to use Hyde for a limited commercial contract. The congressional staff members, Fiers reported to DDO George, had posed no objections to the limited use of Hyde.

939. Headquarters, in a cable dated August 8, 1987, stated that DDO George had approved the use of Hyde and Mariscos Hybur to provide logistical services to complete a project, after which all contacts must cease. A March 31, 1988 CATF memorandum to DDCI Gates also indicated that the decision to use Hyde and Mariscos Hybur was "made at the DDCI level." A CIA officer stated in a February 2, 1988 memorandum to the Chief of SAS that "The decision was made at the DDCI level to go ahead and use [Mariscos Hybur]."

940. Then-DDCI Gates says that he has no recollection of approving the use of Hyde and does not recall the matter being brought to his attention.

941. Gates recalls that he started "putting everything in writing--especially if it had to do with the Contras" because he had been "savaged" several months earlier in DCI confirmation hearings for not being aggressive enough in looking into the Contra program. He also says he almost certainly would have discussed any such approval with DCI Webster since the congressional Iran-Contra hearings were underway and Webster was conducting his own inquiry into CIA's role.

942. Then-CATF Compliance Officer Louis Dupart asserts that Gates did in fact approve the use of Hyde. As he recalls, DDO George went to Gates saying, "We need to use him, but we also need to figure out how to get rid of him." Gates, according to Dupart, gave the approval, with the caveat that CATF end the relationship with Hyde as soon as possible. This was all done verbally, nothing was in writing, Dupart says, since "Gates would not put something like that in writing." The approval may have been attributed to DDO George in the August 8 cable, says Dupart, but it was run through Gates. The DDO did not do it on his own, Dupart says.

943. Fiers states in his written response to OIG questions that:

> My belief is that Acting DCI [Gates] approved [Hyde's] use in a conversation with me. (I do not specifically recall a conversation in

> this regard, but I do believe one took place.) I also recall that the subject was highly controversial. I specifically recall that Headquarters–me included–did not want to use Alan Hyde. . . . After much discussion, I recall that we agreed that he could be used on a highly restricted basis, which essentially eliminated the possibility that he could use the . . . . operation in connection with any illicit activities.

944. In a September 29, 1987 cable, CATF requested a determination as to whether there was any substance to recent allegations that the "criminal families" on Roatan, including Alan Hyde, were stealing arms and ammunition destined for the Contras. Further, CATF directed that an appropriate person should travel to Roatan to attempt to buy weapons if there were substance to the charges. When asked why CATF did not take similar actions to verify the narcotics trafficking allegations against Hyde, the former Chief of NOG says "It was an issue of relative order of priorities . . . . [T]he issue of stealing our guns had a higher priority than verifying whether Hyde was smuggling cocaine into the U.S." Fiers states in his written response to OIG questions that he has "no recollection of Hyde being involved in gun smuggling. No information has been found to indicate that the instructions regarding the alleged arms thefts were executed.

945. A November 9, 1987 cable informed Headquarters that Hyde had consented to being questioned by CIA Security. A CIA officer speculates that Hyde may have thought the request to take the test had something to do with the weapons that were showing up on Roatan. He notes that Hyde was concerned that this contraband would hurt the local community, and he did not want to be associated with this.

946. No information has been found to indicate that CATF responded to the November 9 cable indicating that Hyde was prepared to be questioned by CIA Security or that any interview was ever conducted with Hyde. A former CATF officer does not recall why Hyde was never questioned, but notes that no interview was "required" since Hyde was used in a limited capacity as a contractor.

947. On February 2, 1988, a CIA officer sent a memorandum expressing his misgivings about CIA's involvement with Hyde. He concluded the memorandum by stating his belief that "consideration should be given to [not] having any further involvement with the HYBUR [*sic*] organization." No information has been found to indicate that any action was taken in response to the memorandum.

948. On February 19, 1988, the Defense Attaché in Tegucigalpa reported in a cable received by CIA that the Honduran military would be increasing coastal patrols in the Bay Islands because of concerns about drugs and arms smuggling. On February 24, 1988, a CIA officer sent a handwritten note to the CATF SOG Chief informing him of a conversation she had on that day with Dupart regarding the need to obtain additional approvals to use Hyde's facilities. The note stated that she also informed Dupart of the planned Honduran Government "drug-busting effort" against the Bay Islands. The note went on to say that "Because Hyde is reported . . . as the 'godfather of all criminal activities'--[especially] drug smuggling--in the Islands, it is likely he will be a target of this effort."

949. CIA records indicate that the Agency continued to believe that Hyde's docking and storage facilities on Roatan would be needed to comply with the congressional mandate to keep in mothball status all equipment, aircraft, vessels, and supplies that had been used to support the Contras, pending authorization to continue the Nicaragua program. With these requirements in mind, the Acting LA Division Chief informed DDO Stolz in a March 9, 1988 memorandum that the Agency would have to lease additional storage facilities from Hyde. The memorandum also provided Stolz with the most recent derogatory information concerning Hyde, citing the allegations that a Hyde vessel was being used for drug smuggling and that Hyde was the head of an air smuggling ring with contacts in the Tampa/St. Petersburg area. The memorandum pointed out, however, that there was still no "hard evidence" against Hyde.

950. On March 12, 1988 an extension of the Agency's contract with Hyde was approved by DDO Stolz. The extended contract was

modified to allow use of Hyde's storage facilities on Roatan as long as the mothballing of Contra support assets was required. Other arrangements with Hyde would require prior Headquarters approval, according to the cable.

951. Despite this March 1988 extension of the contractual relationship with Hyde, Agency records indicate that CATF was determined to terminate the relationship by June 1988 because of the receipt of continuing allegations of Hyde's involvement in cocaine trafficking and the pending expiration of the so-called mothball authorities on September 30. A June 29, 1988, CATF cable noted Headquarters "wishes" to limit any further contact with Hyde and directed CIA officers in the field to find another commercial firm. The field again objected to severing ties to Hyde in a July 11, 1988 cable to Headquarters describing Hyde as being the only Honduran "delivery mechanism" for aviation gas. Field officers also reportedly believed that Honduran authorities would not allow another company to do business at the site.

952. CATF replied in a July 29 cable that an alternative to Hyde "must" be found and informed the field that there would be no further Agency contact with Hyde even if the mothball authorities were extended. On September 22, however, the field requested permission to use Hyde's facility until the end of the hurricane season. In an October 27 memorandum, LA Division Chief requested Stolz' approval to continue the use of the Hyde facility until December 1998. CIA records indicate that Stolz approved the continued use on October 28, 1988 and that the Agency's relationship with Hyde apparently ended at the beginning of 1989.

953. A March 11, 1993 cable discouraged counternarcotics efforts against Alan Hyde because "his connection to [CIA] is well documented and could prove difficult in the prosecution stage."

954. **Information Sharing with Other U.S. Government Entities.** According to the October 9, 1987 cable that cited a Honduran report linking Hyde to drug trafficking, that information

was shared with the DEA office in Honduras and the U.S. Consul General there "in his capacity as mission narcotics referent."

955. Fiers' August 5, 1987 memorandum to DDO George indicated that the Agency had informed the FBI, DEA and Customs of its intention to use Hyde for a limited commercial contract. No information has been found to confirm the statement that the Agency actually informed these law enforcement agencies of its intention to use Hyde.

956. An undated memorandum from Fiers to the ADDO and the LA Division Chief appears to have been written following a CATF briefing to the SSCI and HPSCI Staffs concerning Contra drug trafficking allegations in late July 1987. The memorandum indicated that Fiers had included information about Hyde in his briefing to several SSCI and HPSCI Staff members. According to the memorandum, David Holliday of the SSCI Staff had seen "no problems in using Hyde in the manner outlined [i.e., contracting with him to haul cargo]." The memorandum recorded, however, that Holliday said he wanted to discuss the matter with SSCI Chairman Boren before giving "final concurrence." The Fiers memorandum also noted that Thomas Latimer of the HPSCI Staff "was more forward leaning. He saw no problems and indicated we should proceed." Fiers indicated in the memorandum that he would contact Holliday during the following week to determine whether he had talked to Senator Boren. No information has been found to indicate a follow-up conversation between Fiers and Holliday concerning Senator Boren's views.

957. An August 3, 1987 OCA MFR by Robert Buckman recorded a meeting of SSCI and OCA officers that day. Attending for the SSCI were Staff Director Sven Holmes, Jim Dykstra, Dave Holliday, Keith Hall, and Britt Snider. David Gries, Al Dorn, and Robert Buckman represented OCA. According to the MFR, Holmes questioned CIA's use of Alan Hyde in the Contra supply program in light of allegations of drug-related activities by Hyde. The MFR indicated that Fiers was contacted by telephone during the meeting and reportedly stated that Agency policy was that persons such as

Hyde could be used in the Contra program if there were no ongoing investigations of wrongdoing or no outstanding indictments.

958. On August 7, 1987, a memorandum from Alvin Dorn, the then-Deputy Director for Senate Affairs in OCA indicated that SSCI Staff Director Sven Holmes had been provided background information concerning Hyde, but wanted more. Holmes was reportedly also requesting information regarding Agency policies that governed operational use by CIA of persons with criminal backgrounds. A draft response to Holmes was completed by August 13 that stated, in part:

> . . . should the need . . . arise an assessment is made to determine whether the specifics of the criminal history or notoriety of the person is compatible with contemplated use; if there is an unacceptable degree of incompatibility, the individual is not used . . . . It [is] generally inadvisable to involve anyone in operational activities who is known to currently be pursuing a criminal activity that is subject to U.S. process.

No information has been found to indicate whether this draft response was ever made final or sent to the SSCI.

959. An unsigned August 19, 1987 memorandum virtually restated verbatim the information in the memorandum Fiers had forwarded to DDO George on August 5. This memorandum contained a full exposition of the derogatory information concerning Hyde. No information has been found to indicate whether this document was provided to Holmes or anyone else.

960. The Acting LA Division Chief's March 8, 1988 memorandum to DDO Stolz indicated that the SSCI and HPSCI would be briefed concerning the Agency's plans to extend the Hyde contract. No information has been found to indicate that these briefings took place.

961. The Acting LA Division Chief requested guidance from DDO Stolz in a March 9, 1988 memorandum regarding whether to

inform law enforcement agencies of the extension of the Hyde contract. No information has been found to indicate any response or decision regarding this request.

Allegations Involving Air Crew Members of Companies that Provided Services to the Contras Under Contract or Subcontract with CIA

962. **Background.** Following the March 21, 1987 incident at the Miami airport involving U.S. Customs and an Agency DC-6 operated by Michael Palmer of Vortex/Universal Air Leasing, ADCI Gates sent a memorandum to DDO Clair George on April 9, 1987 directing that all contractor and subcontractor air crew personnel be vetted with DEA and the U.S. Customs Service as well as with the FBI. This was necessary, wrote Gates, to protect the Agency against even indirect involvement with drug trafficking.

963. Thereafter, CATF requested traces during April, May and June 1987 from DEA, U.S. Customs and the FBI concerning employees of Vortex/Universal and the prime contracting company. In addition to linking Michael Palmer and Al Herreros of Vortex/Universal to drug trafficking, information provided by DEA and Customs in response to these CIA trace requests also indicated that two employees of the prime contractor and seven employees of Vortex/Universal were suspected of having drug trafficking connections.

964. Moreover, CIA, through the use of a trusted resource, developed information to indicate that three other individuals—all of whom were employed by the prime contractor—might have some connection to drug trafficking.

965. **A Prime Contractor Pilot.** According to DEA information provided to CIA on April 28, 1987 a contractor pilot was:

> . . . listed as the pilot of [aircraft registration number] . In 1981, the aircraft was placed on lookout because [he] was suspected of smuggling drugs into the United States from the Bahamas. The lookout was later canceled.

966. According to Customs information provided to CIA on May 13, 1987 from the Treasury database, the pilot was the subject of a 1982 report of alleged drug smuggling. According to the Customs report, he was alleged to have used an aircraft with the same registration number that was cited in the April 28, 1987 DEA information.

967. A June 1, 1987 CIA cable to Customs requested further information on the pilot and three other individuals in an attempt to determine the validity of the information that Customs had provided to CIA in its May 13, 1987 cable. According to the June 1 cable, CIA:

> .... would appreciate details on the sources of information, including any available assessments on the reliability of the sources and their access to the information (for example, whether through direct involvement in the alleged activity or via hearsay)....

In its June 24, 1987 response, Customs referred the CIA to the U.S. Coast Guard for further information pertaining to the pilot. However, no information has been found to indicate CIA contacted the U.S. Coast Guard regarding the pilot.

968. On April 29, 1986, the pilot was questioned by CIA Security as part of the clearance process to work under the prime contractor. A May 1, 1986 report of that questioning indicated that the pilot admitted to extensive use of illegal drugs and to selling marijuana to friends on several occasions in the late 1960s and early 1970s. He claimed that these sales occurred at social functions and that he did not make a profit from this activity. The report noted that although he was questioned intensively on these matters, CIA concluded that his answers were probably credible. According to the report, the pilot was advised of CIA's policy regarding the illegal use of drugs and he agreed to abide by that policy.

969. A December 22, 1988 CIA memorandum indicated that an aircraft that Customs identified as belonging to the prime contractor and suspected of drug smuggling in 1981-82 had been sold by the prime contractor in November 1979, but subsequently had been

stored at the prime contractor's facility. It was unclear, the MFR noted, whether the pilot had been flying this aircraft as an employee of the prime contractor or as a charter pilot for the new owners. The December 1988 MFR indicated that more information would be needed from Customs in order to determine whether the aircraft and the pilot had actually been involved in drug trafficking. No information has been found to indicate that CIA sought additional information from Customs or any other source to follow-up or verify this information.

970. No information has been found to indicate that the results of questioning regarding drug use by the pilot were provided to U.S. law enforcement agencies. No information has been found to indicate that information regarding allegations of drug trafficking by the pilot was provided to Congress.

971. **A Second Prime Contractor Pilot**. According to a June 8, 1987 DEA cable, a second pilot was suspected of being "the pilot of an aircraft that was placed on lookout [*sic*] for suspected drug smuggling."

972. He was hired on June 25, 1987 as a pilot for the Contra program with temporary approvals.

973. An October 21, 1987 Headquarters cable indicated that the pilot had resigned from the Contra program. An October 23 cable to Headquarters urged that a strong effort be made "to try and turn him around," because he was "unquestionably the premier DC-6 captain." On December 3, Headquarters cabled that the pilot had agreed to continue in the Contra program. A December 10 Headquarters cable indicated that "investigative efforts" were underway to "clarify" the drug trafficking allegations. The cable stated that questioning by CIA Security "will be scheduled as soon as possible."

974. No information has been found to indicate any further investigative efforts were pursued by CIA. No information has been found to indicate when CIA's relationship with the pilot was actually terminated.

975. No information has been found to indicate that information regarding allegations of drug trafficking by the pilot was provided to Congress.

976. **An Aircraft Mechanic.** CIA Security questioned this mechanic was conducted on December 2, 1986. According to the report cabled to Headquarters on April 3, 1987, the information provided by the mechanic led CIA to conclude that he was probably involved in drug trafficking. Further, the report indicated CIA's view that, even under intense questioning, he was also withholding information regarding people he knew who were involved in the Contra program and drug trafficking. According to the report, the mechanic refused to identify any of these individuals, although he claimed that one of them had recommended him for the Contra program.

977. An April 20, 1987 Headquarters cable provided instructions that the mechanic was to be removed from his job pending the results of a second round of questioning by CIA Security. An April 24, 1987 memorandum from the LA Division Chief to DDO Clair George and the Director of Security indicated that the mechanic had been advised that he would have to undergo a third round of questioning to resolve the drug trafficking questions.

978. The mechanic was questioned again on May 10, 1987. According to the Security report of June 22, the mechanic admitted to smuggling a small amount of marijuana for his personal use into the United States in 1968. He also admitted that he "fostered drug transactions on a few occasions" while with the U.S. military in Vietnam. He reportedly asserted, however, that he never personally dealt illegally in drugs. Based on the information he provided, CIA concluded that his answers were probably credible. The report, however, did not indicate whether he was questioned regarding the other individuals in the Contra program who might be involved in drug trafficking and to whom he had referred in December 1986.

979. No information has been found to indicate that the Agency took any further action to pursue or verify the information regarding the mechanic or to determine the identities of the other individuals.

980. No information has been found to indicate that information regarding allegations of drug trafficking by the mechanic was provided to Congress or to other U.S. Government agencies.

981. **A Third Pilot**. This pilot was hired by the prime contractor in November 1986 in support of the Contra program and was questioned by CIA Security on December 2 and December 4, 1986. As a result of the information the pilot provided on both dates, CIA concluded that this pilot was probably involved in drug trafficking. The pilot was questioned further on December 11 and December 12, 1986 without the issues being clarified.

982. No information has been found to indicate that the Agency took any further action to pursue or verify the information developed during questioning by CIA Security.

983. No information has been found to indicate that information regarding drug trafficking by the pilot was provided to Congress or to other U.S. Government agencies.

984. **A Fourth Pilot**. This pilot was hired by the prime contractor for the Contra program in late 1986. He was questioned by CIA Security on December 2 and December 3, 1986. Based on the information he provided, CIA concluded that the questioning was not productive.

985. No record has been found to indicate any further action by CIA to follow-up or verify this information. No information has been found to indicate to what extent or for how long he was employed by the prime contractor to support CIA's Contra program.

986. No information has been found to indicate that information regarding drug trafficking by the pilot was provided to Congress or to other U.S. Government agencies.

987. **Vortex/Universal employees.** The seven individuals identified through DEA and Customs trace responses as suspected drug traffickers who were employed by Vortex/Universal were:

- Joseph Haas
- Donaldo Frixone
- Martin H. Gomez
- Martin Alberto Gomez
- Irving Silva
- Mauricio Letona
- Stephen Herreros.

988. According to information DEA provided to CIA on April 28, 1987, Haas, Frixone, Silva, and Stephen Herreros had been implicated with Michael Palmer in a September 1986 drug smuggling incident in northern Mexico involving 19,000 pounds of marijuana destined for the United States. The DEA response also reported that Haas, Frixone and Martin Alberto Gomez had been crew members on the DC-6 that was involved in the March 1987 incident at Miami International Airport.

989. **Joseph Haas.** Haas was reportedly a long-time informant for a U.S. law enforcement agency.

990. Haas had been hired by Vortex/Universal in December 1986 to assist in providing crew support for air drops in support of the Contras. The April 28, 1987 DEA memorandum appears to have been the first indication to the Agency that Haas was suspected of involvement in drug trafficking and had been a suspected marijuana trafficker since 1984. According to an April 7, 1987 MFR prepared by a CIA Contracts Branch Chief regarding a conversation she had with the president of the prime contractor on that date, Haas had been "taken off" CIA's payroll as of April 1 because he had gone to work

for a U.S. law enforcement agency in the United States. No information has been found to indicate that the Agency had any further contact or relationship with Haas.

991. DoJ and DEA requested information from CIA concerning Haas in 1985, 1987 and 1991. A December 16, 1987 OGC memorandum indicated that the Assistant U.S. Attorney for the Eastern District of New York requested CIA information concerning Haas in May 1985 because he was likely to be a witness in an arms smuggling case--*U.S. v. Schwartz and Berg, et al.*

992. A December 7, 1987 letter from the U.S. Attorney for the Eastern District of New York again requested information from CIA regarding its relationship with Haas in connection with the "Berg" prosecution because of "inquiries from the press, and from defense counsel, asking if Haas is involved in any type of covert operations to aid the Nicaraguan contras [*sic*]." These inquiries, according to the letter, also involved questions concerning the "Vortex Affair." The letter indicated that Haas' involvement with CIA might be used by the defense to "impeach Haas' testimony" as a witness for the prosecution.

993. An undated internal CIA memorandum in response to the U.S. Attorney's December 1987 request indicated that Haas had been "a contractor of Vortex/Universal which was a subcontractor of an Agency prime contractor." The memorandum noted that Haas had been employed by Vortex/Universal from "approximately December 1986 to April 1987." In answering the U.S. Attorney's request regarding any relationship between CIA and Haas, the memorandum made no mention of the April 1987 DEA and Customs trace responses that linked Haas to drug trafficking.

994. On September 9, 1988, CIA received a request for information from the DEA Administrator concerning Haas and Michael Palmer. ADCI Gates responded to the request in an October 1988 memorandum that briefly outlined the CIA's relationship with Haas, and indicated that the "Agency has had no contact, direct or indirect, with Haas since April 1, 1987." ADCI Gates' memorandum

also noted that the Agency had directed that the prime contractor sever its ties with Vortex/Universal following the March 21, 1987 Miami airport incident involving U.S. Customs and the subsequent discovery of drug trafficking information relating to Haas.

995. An October 4, 1988 memorandum to the Director of Congressional Affairs from David Pearline of OCA's Legislative Division indicates that CIA may have informed the House Judiciary Committee of information pertaining to Haas. According to the memorandum, which discussed an October 3, 1988 meeting between Pearline and Congressional staff employees Haydon Gregory and Jim Dahl of the House Judiciary's Subcommittee on Crime:

> . . . .
>
> 3. The Committee staff also made two additional inquiries while I was present. The first inquiry concerned the relationship we had with Joseph Haus [*sic*], a pilot who flew resupply flights for the Contras. The staff felt we may have provided some information on Mr. Haus [*sic*]. (FYI: I checked my memos for the record on our earlier briefings and could not locate a reference to Mr. Haus [*sic*], but the CATF compliance officer believes we may have provided some information during a briefing of the staff in May.)
>
> . . . .

996. **Donaldo Frixone**. Frixone was, according to information DEA provided to CIA on April 28, 1987, implicated along with Michael Palmer and others in the September 1986 drug smuggling incident in northern Mexico involving 19,000 pounds of marijuana destined for the United States. Frixone was hired by CIA for Contra aerial missions from early 1983 to June 1985. Frixone's relationship with CIA was terminated in June 1985 for Frixone's refusal to follow his supervisor's instructions.

997. Following the termination of his relationship with CIA, Frixone was hired by Vortex/Universal in late 1986 or early 1987 as a pilot in support of Contra logistics operations. Frixone was killed on January 23, 1988 when his aircraft was shot down during an air drop over Nicaragua.

998. On July 13, 1983, CATF cabled a Station and requested that it verify allegations made in May 1981 that Frixone had been arrested on a drug trafficking charge. The Station replied on July 22 that it had received confirmation that Frixone had been arrested for drug trafficking in the Dominican Republic in August 1980.

999. Frixone was questioned by CIA Security on July 19, 1983. According to the report, Frixone said that he had been arrested for trying to steal an airplane in the Dominican Republic, but was exonerated by a jury. The report did not mention the drug charge, but noted that "upon instruction by [a CIA] representative, [the Security Officer] did not [follow up on] the subject's story" of the arrest incident. No information has been found to indicate that CIA undertook any further action to follow up or verify the information about Frixone's arrest for drug trafficking before the termination of the initial Agency relationship with him in June 1985.

1000. A May 20, 1987 cable indicated that Frixone had admitted to Dominican police that he and his accomplices were planning to go to Colombia to pick up marijuana and that he was to be the pilot. The cable added that Frixone and the others had been released by the judge in November 1980 because of "insufficient evidence."

1001. A June 30, 1987 Headquarters cable indicated that the allegations against Frixone and several others would have to be "clarified" before approval to use them could be initiated. Further, the cable stated that investigative efforts were underway and that all the individuals would be questioned by Security "as soon as possible."

1002. No information has been found to indicate that Frixone was questioned again or that further investigative efforts were made in this regard by CIA or other U.S. Government entities.

1003. No information has been found to indicate that information regarding allegations of drug trafficking by Frixone was provided to the Congress or to other U.S. Government agencies.

1004. **Martin Horatio Gomez**. Gomez, a native of Medellin, Colombia, was an aircraft mechanic for Vortex/Universal. After about nine months, his contractual relationship with the Agency was terminated on March 8, 1989 for "lack of interest."

1005. The Agency was informed by DEA and Customs in April and May 1987 that Gomez was "criminally associated" with aircraft N50314. According to the April 28, 1987 DEA memorandum, the aircraft was owned by a Miami company and was suspected of being used to transport marijuana or cocaine from Colombia to the United States. On May 13, 1987, Customs provided information to CIA that indicated that Gomez had been suspected of involvement in currency and narcotics smuggling as of 1984 and that he was associated with "numerous alleged narcotics traffickers. . . ."

1006. A June 1, 1987 CIA cable to Customs requested further information on Gomez and three other individuals in an attempt to determine the validity of the allegations. According to the June 1 cable, CIA:

> . . . . would appreciate details on the sources of information, including any available assessments on the reliability of the sources and their access to the information (for example, whether through direct involvement in the alleged activity or via hearsay). . . .

In its June 24, 1987 response to CIA, Customs reported it had no additional information regarding Gomez.

1007. No information has been found to indicate that Gomez was questioned by CIA Security. No information has been found to indicate that information regarding allegations of drug trafficking by Gomez was provided to the Congress.

1008. **Martin Alberto Gomez**. Gomez, an aircraft mechanic, became a naturalized U.S. citizen in July 1986. CIA was informed by DEA on April 28, 1987 that Gomez allegedly had been involved in a drug smuggling organization as of 1981. Another alleged member of that organization was Martin Horatio Gomez, whom the DEA response indicated might have been his father.

1009. Martin Alberto Gomez was questioned by Security on August 29, September 1, and November 3, 1988. The totality of the information he provided led CIA to conclude that he probably was involved in drug trafficking.

1010. In an October 5, 1988 memorandum, an officer in the Office of Security wrote that Gomez "has not cooperated during [two attempts to question him] and it is not likely his attitude will change with additional processing." The memorandum therefore recommended that "[the cognizant CIA office] be requested to cancel interest" in Gomez. A November 15, 1988 memorandum from an Operational Evaluation Section officer to the Chief of the Staff and Operations Branch indicated that SAS had refused to "cancel interest" in Gomez, and that he was given a third opportunity for clarification on November 3, 1988. According to the memorandum, major concerns remained concerning the use of illegal drugs." His relationship with CIA was terminated in "mid-March 1989."

1011. No information has been found to indicate that information regarding drug trafficking by Gomez was provided to the Congress or to other U.S. Government agencies.

1012. **Irving Silva**. Silva, as noted in the April 28, 1987 DEA report, was implicated with Palmer in the September 1986 drug smuggling incident in northern Mexico involving 19,000 pounds of marijuana destined for the United States.

1013. According to a February 29, 1988 memorandum to OGC's Assistant General Counsel regarding CIA contacts with Vortex/Universal Air Leasing, Silva was employed part-time by Vortex/Universal from December 1986 to January 1987 to provide navigational training to the ERN. The April 28, 1987 DEA trace response implicated Silva in the September 1986 Mexico marijuana smuggling incident.

1014. No information has been found to indicate that Silva was questioned by CIA Security or that the Agency took other action to follow-up or verify the information linking Silva to drug trafficking. No information has been found to indicate when CIA terminated its relationship with him.

1015. No information has been found to indicate that information regarding allegations of drug trafficking by Silva was provided to the Congress.

1016. **Mauricio Letona**. Letona apparently was hired by Vortex/Universal in late 1986/early 1987 along with Haas and others under the subcontract with the prime contractor in support of CIA assistance to the Contras.

1017. The Agency terminated its relationship with Letona on May 8, 1987. A May 13, 1987 Customs cable to CIA indicated that Letona had been suspected in 1980 of using his affiliation with an El Salvadoran airline to smuggle cocaine.

1018. No information has been found to indicate that information regarding allegations of drug trafficking by Letona was provided to the Congress.

1019. **Stephen Herreros.** The April 28, 1987 DEA response to a CIA trace request reported that Herreros was listed in the files of the El Paso Intelligence Center as having been involved in the September 1986 marijuana smuggling incident along with Palmer and other Vortex/Universal employees.

1020. No information has been found to indicate the nature of Herreros' relationship with Vortex/Universal or that he had any relationship with CIA. No information has been found to indicate that CIA took any action regarding the information relating to Herreros and drug trafficking.

1021. No information has been found to indicate that information regarding allegations of drug trafficking by Herreros was provided to the Congress.

WHAT WAS THE NATURE AND EXTENT OF CIA'S KNOWLEDGE OF ALLEGATIONS OF CONTRA DRUG TRAFFICKING AT THE ILOPANGO AIR BASE?

1022. **Background.** Between 1981 and the 1984 congressional funding cutoff, the Agency provided support services to the Contra program from the El Salvadoran air base at Ilopango--located a few miles to the east of San Salvador. Ilopango Air Base was controlled by the Salvadoran military but was used by CIA as a storage point and staging area for shipments of supplies to the Contras. In the course of these functions, CIA personnel had frequent contacts at Ilopango with Contra pilots and other personnel who came to Ilopango to pick up supplies. CIA personnel were frequently present at Ilopango and sometimes assisted when supplies were loaded onto aircraft operated by Contra pilots.

1023. To support CIA activities at Ilopango, CIA occupied a newly constructed warehouse and hangar in 1984--commonly referred to as Hangar 5--and relocated to it activities that had been conducted in a smaller nearby hangar-- commonly referred to as Hangar 4. After CIA had moved out of Hangar 4, it was used in 1985 and 1986 by NHAO and the Private Benefactors in support of their Contra-related operations. Hangars 4 and 5 shared a common aircraft parking area and were located on a restricted area of the Ilopango air base that was controlled by the Salvadoran military. Another area of Ilopango air base was devoted to civil aviation. Access to that area reportedly was not restricted.

1024. Following the 1984 congressional funding cutoff, supplies that remained at Ilopango were distributed to the Contras by CIA personnel. Thereafter, visits by CIA personnel to Ilopango occurred less frequently. Contra personnel, however, continued to visit Ilopango in connection with support being provided to the Contras by NHAO and the Private Benefactors.

1025. Following congressional approval of the $100 million Contra support program in October 1986, Ilopango Air Base had much less importance to the Contra program.

1026. There have been three main sources of allegations of drug trafficking at Ilopango—a U.S. citizen, Celerino Castillo[34] and a CIA/DEA source known as STG6. The allegations of each of these sources and what CIA knew about them are described below.

1027. **Allegations of Contra drug trafficking at Ilopango—a U.S. citizen.** According to an October 23, 1986 cable to Headquarters, the "narcotics coordinator" at the U.S. Embassy in Tegucigalpa had said there would be an arrest in San Salvador of a specifically named American citizen. According to the cable, the U.S. citizen was to be arrested:

> . . . on narcotics trafficking charges. [The U.S. citizen] will be arrested today or tomorrow by regional [DEA] agent [Celerino Castillo] and charged with cocaine trafficking to the U.S. [U.S. Embassy/Tegucigalpa] alerted [CIA] because [the U.S. citizen] is allegedly some way involved [*sic*] with [Max Gomez] and also allegedly has [United Nicaraguan Resistance/FDN Directorate] contacts and operates his business out of [Hangar 4], supposedly using [Private Benefactor] pilots and aircraft as part of his drug network. [The U.S. citizen's] home in San Salvador was raided about one month ago and guns and a variety of drugs were discovered. **[DEA] believes [the U.S. citizen] will attempt to use publicity of his alleged [U.S. Government] ties to defeat any prosecution on drug charges.** We have no other details on this matter and are not likely to receive more since regional [DEA representative] operates from Guatemala City. . . .

(Emphasis added.)

1028. **Allegations of Contra drug trafficking at Ilopango--former DEA Special Agent Celerino Castillo.** In his book *Powderburns: Cocaine, Contras & the Drug War* (© Celerino Castillo III and Dave Harmon, 1994), former DEA Special Agent Celerino

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[34] Castillo declined to be interviewed under standard DoJ and CIA/OIG procedures.

Castillo alleged that Ilopango was used by the Contras to support Contra drug trafficking activities. According to *Powderburns*, much of Castillo's information relating to alleged Contra drug trafficking at Ilopango was provided to him by DEA informants, one of whom reportedly worked at the civil air section of Ilopango air base. In *Powderburns*, Castillo referred to this informant at Ilopango as "Hugo Martinez."

1029. In *Powderburns*, Castillo said he arrived in Guatemala in October of 1985 and served until 1990 in the regional DEA office in Guatemala City. Castillo's responsibilities while assigned to the regional DEA office included El Salvador. Castillo said that, soon after his arrival in Guatemala City, his duties brought him into contact with CIA officials both in Guatemala and in El Salvador. Castillo alleged in *Powderburns* that, in at least two instances, he discussed the allegations relating to Contra drug trafficking with CIA officials.

1030. The first instance related to a discussion that Castillo said he had with the San Salvador COS in 1986. As related in *Powderburns*:

> . . . On August 15, I met with Jack McCavett , the mild-mannered CIA station chief in El Salvador. Again, I repeated my evidence against the Contras. McCavett denied any connection between the CIA and the Ilopango operation. As far as [William] Brasher was concerned, McCavett said "He doesn't work for me. He works for the Contras and Ollie North, and we have nothing to do with that operation."
>
> Three days later, McCavett called me into his office and pulled $45,000 in cash out of his desk drawer. "I've got money left over from my budget I need to spend," he said. "Take this for your anti-narcotics group. Go buy them some cars." McCavett didn't mention the Contras, but I suspected he was trying to buy me off. The CIA, to my knowledge, had never given the DEA this kind of gift. I wrote out a receipt and handed it to him, took the stack of bills, and gave it to Adame and Aparecio. They bought three much needed vehicles for [an El Salvadoran Police organization].

1031. In the second instance cited in *Powderburns*, Castillo claimed he discussed Contra drug trafficking activities with "Randy Kapasar, a CIA agent in Guatemala:"

> He knew I was investigating the Contras. I knew he was helping them. I expected him to deny my evidence of the Contras' narcotrafficking but he followed Sofi's reasoning: "Cele, how do you think the Contras are gonna make money? They've got to run dope, that's the only way we can finance this operation."

1032. **Allegations of Contra Drug Trafficking at Ilopango—STG6.** CIA records indicate that, from September 16, 1986 until August 7, 1989, STG6 was an Agency contact who provided information pertaining to drug trafficking and other subjects. He was turned over to DEA following the termination of his relationship with CIA on August 7, 1989.

1033. On at least two occasions, STG6 provided CIA with lead information that related to possible Contra drug trafficking activities at Ilopango. The first report of this nature was described in a September 23, 1986 cable to Headquarters. According to the cable, STG6 provided the names of two Colombians who were linked to Contra pilot Carlos Amador. Amador, the cable stated, was "suspected of involvement in narcotics trafficking."

1034. The second report from STG6 to CIA regarding possible Contra drug trafficking at Ilopango was described in a March 23, 1988 cable to Headquarters. According to that cable, STG6 had reported that a Guatemalan citizen and suspected drug trafficker named Reyner Veliz had recently been traveling with Contra pilot Marcos Aguado.

1035. **CIA Records: A U.S. Citizen.** Apart from the U.S. citizen's claims and an April 8, 1987 cable to Headquarters reporting an unsolicited telephone call from the U.S. citizen, no information has been found to indicate that CIA had any relationship with the U.S. citizen. Also, no information has been found to indicate that the U.S. citizen's activities in El Salvador were related to the Contras in any manner, other than the October 23, 1986 cable reporting and a reference to him and the Contras in an April 25, 1986 cable--described further below--pertaining to the arrest of suspected American mercenaries in Brazil.

1036. The April 25, 1986 cable --as mentioned earlier--also made a reference to the U.S. citizen and the Contras. This cable provided an update regarding the arrest of American citizens suspected of being mercenaries in Brazil. According to the cable, the detainees had been visited in prison by the U.S. citizen and another person, "both of whom are apparent friends of several of the detained mercenaries." Regarding the U.S. citizen, the cable stated that:

> . . . visiting U.S. Consul. . . .who previously served in San Salvador, told [Consul General] on 25 April he remembers [the U.S. citizen] as being associated with [CIA] in San Salvador as a military advisor to Contras operating on the Honduran border with El Salvador.[35]

1037. In response to the October 23, 1986 cable regarding the U.S. citizen's pending arrest in El Salvador, an October 25, 1986 Headquarters cable requested any available information regarding whether ". . . there is any truth to [the U.S. citizen's] claims of contact" with the United Nicaraguan Resistance/FDN Directorate as well as "possible operations" conducted out of Hangar 4 at Ilopango. The Headquarters cable also provided a lengthy summary of earlier instances in which the U.S. citizen's name had appeared in CIA records:

- A cable had reported on August 27, 1986 that the U.S. citizen had provided night vision equipment to the Salvadoran military as part of a contract that he had with the Salvadoran Government. He reportedly told Salvadoran and U.S. military officials in El Salvador that CIA had "paid his salary in the past and made some broad hints as to a current [CIA] relationship."

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[35] An October 29, 1986 cable advised CIA Headquarters that preliminary checks with senior Contra officials had indicated no contact between the U.S. citizen and the FDN.

- A May 14, 1986 cable stated that the U.S. citizen had become a subject of investigative interest to the U.S. Customs Service's Office of Special Investigations in New York for allegedly exporting equipment not licensed for export. The U.S. Customs Service said that it would remove his name from its watchlist if his activities were connected to the CIA or other U.S. intelligence organizations. CIA file reviews had found no information to indicate that the U.S. citizen was connected to CIA and, thus, the U.S. Customs Service "intended to continue their investigation with a goal of prosecuting him." Further,

  > . . . the most recent incident which aroused [U.S. Customs Service] suspicions occurred on 3 May 1986 when [the U.S. citizen] was supposedly forced to make an emergency landing in his plane in the general area of Tamiami, Florida. [He] told fire department officials who responded to his landing that he was carrying two large cases of top secret material (whether equipment or documents unclear). He asked the fire department people to secure the material while he went to the nearest airport to clear customs. After having gone through a clearance procedure which made no mention of the "sensitive" material, [the U.S. citizen] returned to the fire department building, retrieved his two cases, and disappeared. As a result of this and other incidents, [he] was placed on an [U.S. Customs Service] watchlist which would ensure a very stringent search of him and his possessions/vehicles any time he surfaced at an [U.S. Customs Service] office or branch.

- A May 15, 1986 cable reported that, following the May 3 crash, DEA personnel had asked if CIA had any connection with the U.S. citizen. According to the summary, DEA had reported that he told firemen responding to the crash that three Salvadoran passengers traveling with him were being transported to Fort Bragg, North Carolina "on behalf of [CIA]" The U.S. citizen, according to DEA, reportedly offered the firemen a $100 bribe if they "would not report his activity relative to the Salvadorans to authorities." The cable had also stated that DEA planned a "follow-up investigation" of the U.S. citizen on suspicion of narcotics trafficking.

- July 1, 1986, cable reported that at a June 27, 1986 meeting with FBI and Metro Dade Police Department representatives that, when the U.S. citizen returned to retrieve two suitcases that he had left in the custody of fire officials following the crash, he was accompanied by a Metro Dade reserve police officer "who also claimed connection with [CIA] and vouched for [him]." According to the summary, further inquiry into the Metro Dade reserve police officer's involvement in the matter had been delayed by police officials "for fear of interfering with a [CIA] operation." The cable went on to state that a review of CIA files at that time had revealed no information concerning the reserve police officer or the names of the Salvadorans who allegedly were passengers on the U.S. citizen's airplane.

According to an October 29, 1986 response to the October 25 Headquarters cable, "preliminary checks" with senior Contra officials regarding any contacts between the FDN and the U.S. citizen were "negative."

1038. A March 26, 1987 cable to Headquarters reported that the U.S. citizen and another individual had been arrested by Dominican Republic authorities upon landing an airplane in that country. The airplane contained various types of military-related equipment. According to the cable:

> [The U.S. citizen and his companion] also claim to be involved in military training in Central America and are reluctant to discuss what they are doing and for whom. Intentional or not, they are leaving the impression that they are working for [CIA].

1039. A March 27, 1987 cable to Headquarters reported that the U.S. citizen had recently sought to sell equipment to the Venezuelan Government and that a Venezuelan official said that the U.S. citizen "showed him 'State Department credentials' . . . and [he] claimed that he worked for [a Central American Station']."

1040. A March 27, 1987, cable in response to the March 26, 1987 report summarized what was known about the U.S. citizen's activities in El Salvador:

> [The U.S. citizen] has falsely represented himself on prior occasions as being associated with [CIA]. He has no relationship with [CIA] but he was in San Salvador until two or three months ago, trying to sell weapons and military gear of various kinds to the Salvadoran military. He left El Salvador in a hurry after a police search of his house here uncovered a large quantity of various unlicensed, unregistered military arms, including hand grenades. When last we heard he was under investigation by U.S. Customs in relation to this incident. He was also under investigation earlier by DEA for possible narcotics smuggling. He seems to have a history of inventing supposed contacts with the USG[overnment], particularly [CIA], which he then uses to pursue his various business interests.
>
> . . . .

1041. According to an April 8, 1987 cable to Headquarters and several Stations, a CIA officer serving abroad had received an unsolicited telephone call from the U.S. citizen. The cable reported that he told the officer during the call that he had been given the officer's name and telephone number from the commanding officer of the USMILGROUP. The cable, in noting that the commanding officer of the USMILGROUP was out of town, said the gist of the U.S. citizen's conversation with the officer was:

> "You don't know me, but I got your name from [commanding officer, USMILGROUP]. I was just down there and I sell night vision equipment. [Commanding officer, USMILGROUP] thought it might be a good idea to talk to you." [The U.S. citizen] said he planned another visit . . . . on/about 24/25 April and wondered if there would be an opportunity to talk with [the officer].

1042. In a follow-on cable on April 9, 1997 to Headquarters, it was confirmed that the commanding officer of the USMILGROUP had indeed passed the officer's name and phone number to the U.S. citizen after telling the COS that "there was DoD contractor in town selling the . . . military night vision equipment and wanted to know if the police would have any interest." According to the cable, the commanding officer of the USMILGROUP did not mention the name of the contractor, but had passed the officer's name to the U.S. citizen on the assumption that the COS would concur.

1043. In an April 10, 1987 cable, Headquarters provided guidance with respect to contacts with the U.S. citizen:

> [Headquarters] appreciates information provided . . . . regarding telephone conversation with [the U.S. citizen]. As Station is aware, [he] is notorious for falsely claiming [CIA] affiliation in addition to his involvement in other nefarious schemes. In light of this fact, Station is urged to politely but firmly refuse further contact with [the U.S. citizen]. Please advise any further attempts by [him] to contact other Station/Mission personnel.

1044. According to an April 13, 1987 cable to Headquarters, :

> . . . MILGROUP commander is in contact with [the U.S. citizen] and presumably will meet with [him] when latter arrives near end of month. We have no desire to give [him] another window into this mission and we will follow [the April 10 Headquarters] guidance accordingly, but wonder . . . whether it would be more in line with an embassy officer to hear him out and then turn off the contact? . . . .

The cable also asked Headquarters "whether we should have [the U.S. citizen's] plane carefully searched. We think the Customs Police should do so."

1045. In its April 16, 1987 response, Headquarters provided explicit instructions: "Station to avoid contact with [the U.S. citizen]." Further, the Headquarters cable stated that:

> . . . .
> [The U.S. citizen] must be considered [a United States] person since he is evidently a resident and able to freely enter and exit the

> country. [CIA] should not become involved in making any decision whether or not to search his plane. We note that there is no indication in [his] file of any warrant outstanding against him.
> . . . .

1046. The U.S. citizen's name appears in other Agency cables. However, as stated earlier, no information has been found to indicate that he or his activities had any connection to CIA or the Contras.

1047. **CIA Records: Castillo's contacts with CIA officials.** CIA records indicate that in mid-1986, CIA planned an expenditure of $45,000 to purchase three vehicles for the Government of El Salvador. The money was accounted for in CIA records on August 18, 1986, the same date Castillo alleged in *Powderburns* that he received $45,000 from a person he refers to as COS McCavett. Although no information has been found to indicate the process by which the vehicles were purchased and given over to the Salvadorans, no information has been found to indicate that the transaction involved Castillo or DEA in any manner.

1048. **CIA Records: Contacts with STG6.** STG6 became a CIA contact in late 1986. CIA records indicate that DEA had an ongoing operational interest in STG6. According to a November 18, 1987 cable to Headquarters, a regional DEA office had indicated that this particular individual was a "source of information regarding illegal aircraft movements/narcotics trafficking" at Ilopango air base.

1049. A January 18, 1988, cable to Headquarters noted that the DEA representative had said that the DEA regional chief had been briefed regarding STG6 prior to DEA expressing interest in him:

> STG6 has access to valuable and unique information by virtue of his job and [he] said that [DEA] needs this data regarding movement of aircraft in the region. Station wished to pass this view so that appropriate STG6 information can be passed to [DEA] for action.

1050. Information provided by STG6, on occasion, was transmitted with a request that the information be passed to the regional DEA office or shared directly with a representative from the regional DEA office during meetings with CIA personnel. Of these reports, only one had any apparent Contra connection:

- A March 23, 1988 cable indicating that Guatemalan citizen and suspected drug trafficker Reyner Veliz was traveling with Contra pilot Marcos Aguado. Included in this cable was a request that this information be passed to the regional DEA office with the following caveat: "Please omit specific locations of travel and location of source [i.e., STG6]"."

1051. According to a July 31, 1989 cable to Headquarters, CIA officers met with a representative from the DEA's regional office in Guatemala City on July 24-28, 1989. As a result of that meeting, an offer was made to the DEA representative to turnover STG6 to DEA.

1052. According to an August 1, 1989 cable, DEA "definitely agrees to take over STG6." Headquarters approved the turnover of him in an August 2, 1989 cable.

1053. **Individual Statements: CIA personnel.** A CIA officer who was closely aware of events at Ilopango during the 1981-1983 time frame and from May 1984 until May 1986 recalls that, until the 1984 congressional cutoff of funds, he had frequent contacts with Contra pilots. After the cutoff, these contacts diminished, although certain authorized contacts were permitted to continue.

1054. The officer says he has no knowledge of drug trafficking at Ilopango. He comments that he frequently observed and--prior to the 1984 funding cutoff--sometimes assisted with the loading of supplies onto Contra aircraft at Ilopango. He is very doubtful that illicit drugs could have been placed on board Contra aircraft during the times he was present. Moreover, he notes that the aircraft he observed being loaded with supplies were destined, not for the United States, but for Contras operating in Central America. Following the 1984 funding cutoff, he says he continued to observe and monitor the activities of Contra aircraft.

1055. According to the officer, the Salvadoran Air Force provided the Contra pilots with identification cards that allowed the pilots to bypass Salvadoran customs upon landing at Ilopango and also allowed them unrestricted access to the air base. He says the commanding officer of Ilopango, General Juan Bustillo, was a staunch supporter of the Contras and, because of this support, he authorized the pilots to be issued the identification cards to facilitate such access. The CIA, according to the officer, had nothing to do with the issuance or control of these identification cards.

1056. The officer says Contra pilots sometimes parked their aircraft at a location some distance away and in an area of the military side of Ilopango that was not easily observable from the base control tower or from the nearby civilian side of the airfield. Particularly after the 1984 funding cutoff, Contra planes could easily come and go from Ilopango without CIA knowledge, he says.

1057. A helicopter pilot who worked for a CIA contractor at Ilopango from 1984 until 1986 says he was instructed by CIA to keep Contra personnel at arms length following the 1984 funding cutoff. He says he has no knowledge of Contras using Ilopango for drug trafficking.

1058. A senior CIA officer who was aware of CIA activities at Ilopango does not recall learning of any specific allegation relating to Contra use of Ilopango to support any drug trafficking activities. He does, however, recall that there were unsubstantiated drug-related allegations against Contra pilot Marcos Aguado.

1059. Another senior officer recalls that he asked the officer who was closely aware of events at Ilopango to look into allegations of drug trafficking by the Contras or others and that the officer was never able to confirm any of the allegations.

1060. A third senior officer who had some awareness of activities at Ilopango says he has no knowledge of Ilopango being used by the Contras for drug trafficking.

1061. Another officer who possibly would have been aware of activities at Ilopango says he knows of no Contra drug trafficking activity at Ilopango and opines that the Salvadoran Ilopango base commander, General Bustillo, would not have tolerated such activity.

1062. Another retired CIA officer who frequently visited Ilopango says that he has no recollection of Contras coming through Ilopango during his tour in Ilopango. "I can be definite that [the Contras] never came to my attention," he says.

1063. An officer who says he met former DEA Special Agent Celerino Castillo in Guatemala and, on one occasion, worked with him and others on a project unrelated to the Contras, recalls Castillo discussing suspected narcotics trafficking at Ilopango, but recalls that Castillo made no specific reference to possible Contra involvement in those activities. Contrary to Castillo's claims, this officer emphatically denies that he had any knowledge of Contra drug trafficking activities at Ilopango or elsewhere. He also denies that he made any statement to Castillo relating to such knowledge. He also denies that he ever asked Castillo to back away from any narcotics investigation.

1064. Felix Rodriguez retired from CIA in 1976. He was an advisor to the Salvadoran military in a private capacity at Ilopango from February 1985 until the late 1980s.[36] Rodriguez also assisted the Private Benefactors at Ilopango in providing aid to the Contras. Rodriguez states that he has no knowledge of any alleged Contra drug trafficking activities being conducted from Ilopango or elsewhere. Rodriguez also says he personally knew the U.S. citizen in El Salvador, that he dealt with the Salvadoran military as a salesman of various military related equipment and that he had no apparent links to the Contras. Rodriguez denies having any knowledge of any alleged drug trafficking by the U.S. citizen, but says he understands that he was banned from making further sales to the Salvadoran military when Salvadoran officials determined that he was allegedly charging the Salvadoran military exorbitant prices for military equipment.

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[36] Rodriguez says he used an alias--"Maximo Gomez"--while in El Salvador.

1065. **Individual Statements: DEA Personnel.** A DEA intelligence analyst recalls that he participated in DEA's review of Castillo's allegations regarding drug trafficking activities at Ilopango. The analyst also states that he participated in DEA's coordination of the January 21, 1987 Memorandum from Acting DCI Robert Gates regarding allegations of Contra drug trafficking that was requested by Assistant Secretary of State for INR Morton Abramowitz. He recalls that DEA found no information to support Castillo's allegations linking the Contras to drug trafficking. "It was [DEA's] experience that all of the Contra allegations lacked substance . . . ," he asserts.

1066. **Individual Statements: A U.S. Citizen.** The U.S. citizen denies any involvement in smuggling weapons or drugs. He says he never worked for CIA and was never recruited to work for CIA. He also says his only connection with the Contras was that he once met "one Contra pilot" briefly. He says he does not recall the pilot's name or the particular circumstance of the meeting. The U.S. citizen claims that Salvadoran authorities allowed him to utilize Hanger 3--not Hangars 4 or 5--at Ilopango to install equipment in Salvadoran military helicopters. According to the U.S. citizen, CIA controlled Hangars 4 and 5 and he never entered those hangars.

1067. **Information Sharing with Other U.S. Government Entities.** In addition to the instances described earlier wherein information relating to alleged drug trafficking at Ilopango was shared with DEA, allegations that Ilopango air base may have been used by the Contras for drug trafficking were discussed in the January 21, 1987 Memorandum from Gates to Abramowitz concerning alleged Contra drug trafficking connections that was coordinated with other Intelligence Community agencies and DEA prior to its dissemination. According to the Memorandum:

> In March 1986, DEA/Guatemala began receiving reports of suspicious activities at Ilopango Airfield in San Salvador, El

> Salvador. According to . . . DEA [information], a hangar at the airfield was being used by traffickers to store cocaine en route to the U.S. The hangar reportedly was being used in transporting arms to the Contras. DEA/Guatemala investigated these reports and decided there was insufficient evidence to warrant pursuing a drug investigation. DEA did, however, inform the U.S. Customs Service of other information discovered in the course of the investigation that related to possible weapons smuggling activity.

1068. In a January 21, 1987 letter to Abramowitz that accompanied the Memorandum regarding alleged Contra drug connections, ADCI Gates discussed DEA plans regarding allegations of drug-related activity at Ilopango:

> We are told that DEA Headquarters plans to follow up on the matter of the adequacy of DEA/Guatemala's investigation of alleged drug trafficking at Ilopango Airfield in El Salvador . . . . DEA will report additional information as it becomes available. The Intelligence Community has no information independent of DEA regarding this matter.

1069. A March 31, 1988 Office of Congressional Affairs Memorandum for the Record indicates that SSCI Staff Director Sven Holmes was provided a copy of the Gates-Abramowitz Memorandum on March 29, 1988.

TO WHAT EXTENT DID CIA DISSEMINATE "FINISHED INTELLIGENCE PRODUCTS" THAT INCLUDED INFORMATION ABOUT DRUG TRAFFICKING ON THE PART OF INDIVIDUALS, ORGANIZATIONS, AND INDEPENDENT CONTRACTORS ASSOCIATED WITH THE CONTRAS?[37]

1070. **The Analytic Environment**. Agency analysts who were responsible for counternarcotics issues during the 1980s indicate that three factors accounted for the small number of finished intelligence products during the 1980s that related at all to the Contras and narcotics trafficking. First, Central America in general was not a high priority counternarcotics target for the Agency before 1986. This reflected primarily the focus of U.S. Government policymakers on Latin American drug suppliers, in particular the Medellin Cartel in Colombia. According to a CIA officer, who was Assistant National Intelligence Officer (NIO) for Narcotics from 1984 to 1986 and Chief of a division in the DI's Office of Global Issues (OGI) dealing with international narcotics from 1986 to 1989, the counternarcotics effort was "consumed" with the Medellin Cartel because it was the main actor in the cocaine trade. The Agency concentrated on targets, such as the Cartel, as to which DEA had operations underway or in the planning stages that intelligence could support.

1071. The CIA officer recalls that Central America was on the screen occasionally because the Colombian cartels were setting up alternative transit routes there--particularly in Guatemala and Nicaragua--in an effort to circumvent the U.S. interdiction effort. Even so, the region was "just a blip on the scope" for the most part. This CIA officer and several other Agency analysts note that, with respect to Nicaragua, the U.S. policy focus was on the Sandinista Government's involvement in narcotics trafficking--not on that of the Contras. The policymakers, one analyst asserts, really wanted to "get" the Sandinistas on this subject.

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[37] Preceding sections of this Report discuss the extent to which CIA shared information related to alleged drug trafficking by specific individuals and organizations associated with the Contras. This section examines the extent to which information about alleged Contra-drug trafficking was shared in a more general sense.

1072. The second factor, which was a consequence of U.S. policymaker priorities, was that the DO assigned a low priority to collecting intelligence concerning the Contras alleged involvement in narcotics trafficking. As a result, Agency analysts had only a small number of reports on which to base their analysis. According to CIA records, only three DO reports regarding Contra drug trafficking were found to have been disseminated between October and December 1984. These were the reports describing the alleged agreement between Pastora's associates and a Miami-based drug trafficker involving material support for the Contras in return for the trafficker's access to the Southern Front's pilots and landing strips

1073. Furthermore, the reports were disseminated as "Sensitive Memorandums," a format that required strict access control. The internal dissemination lists for the reports indicate that all three were shared with the Directorate of Intelligence's (DI's) Office of African and Latin American Analysis and with the National Intelligence Officer (NIO) for Latin America. The NIO for Narcotics received two of the three reports. However, the Office of Global Issues (OGI), which was responsible for counternarcotics analysis in the DI, did not receive copies of the reports. Further, the strict access controls made it difficult for analysts to incorporate information from the reports into finished intelligence products that would have a broader dissemination.

1074. The analyst who drafted a Memorandum for Vice President Bush in April 1986 that related to potential Contras' involvement in drug trafficking recalls that OGI analysts who worked on counternarcotics issues were not aware of those reports at the time--October to December 1984--that they were first disseminated inside and outside the Agency. However, she says that CATF Chief Fiers did make the reporting available to her in April 1986, stipulating that it could be used only for the Memorandum she was preparing for Vice President Bush.

1075. A CIA officer, who was a Division Chief in ALA from 1984 to 1986, says that he does not recall any significant reporting in autumn 1984 with respect to the alleged agreement between Pastora's associates and Miami drug trafficker Morales. Nor does he recall any credible narcotics reporting during his tenure that would have merited treatment in a finished intelligence product.

1076. The Assistant NIO and the then-NIO for Latin America say that the DI was largely unaware of the totality of DO reporting on the issue of Contras and narcotics trafficking. The former of the two officers notes that there was a sharp divide in those days between the DO and DI narcotics analysis and there was not a "free flow of information." He states that, although the DO would cooperate in providing information for certain high priority tasking such as the January 21, 1987 Memorandum from ADCI Gates to Assistant Secretary of State Abramowitz, the DO had to be pulled along on the counternarcotics effort for the most part. The former of the two officers adds that the DO became very engaged in Latin America after April 1986.

1077. The then-NIO for Latin America says that ALA's Division and the DO's LA Division had an agreement that the ALA analysts could review relevant operational cables. LA Division, however, determined what was relevant, and "so-called administrative traffic" involving DO assets was off limits. Further, he states that the DI and National Intelligence Council did not believe that the Contras were an effective insurgent force, thus causing problems for CATF. Consequently, he says, he always felt that Fiers was not showing the analysts any reporting that would cause problems for the Contra program. He cannot document what reporting might have been withheld from him "because . . . you don't know what you're not seeing."

1078. The former ALA Division Chief says that the relationship between his DI division and CATF was fairly collaborative even though Fiers would not be at the top of his list of good collaborators. He asserts that Fiers "played a lot of things close to his vest" as he should have. However, everything of substance was fully discussed among Assistant Secretary of State Elliott Abrams, Fiers and the NIO/Latin America. He recalls discussions of

Contra stealing, smuggling and other wrongdoing, but no discussion of narcotics trafficking. Narcotics was not one of the topics of concern at the time.

1079. An officer, who served as LA Division Chief of Reports from 1979 to mid-1984 and then served as the ALA Division Chief's deputy in the DI until 1986, says that she is not aware that anyone associated with the Agency suppressed reporting concerning drug trafficking by the Contras. She avers that she would have been "in Fiers' face" were he to "fool with the information to make [CIA] look good." Concerning the lack of finished intelligence concerning the Contras and drug trafficking, she states that the issue would not become apparent without DO reporting, and the analysts would keep whatever information became available in a file until there was a reason to do something with it.

1080. The third factor explaining why very little finished intelligence was produced by the DI regarding Contra drug trafficking was that Agency analysts had limited access to reporting from federal law enforcement agencies at the time. The former ALA Division Deputy Chief points out that DEA, not the DO, was the primary collector of narcotics trafficking information in the early 1980s. Along these lines, one DI analyst recalls that DEA was even reluctant to provide this reporting, probably because it pertained to ongoing investigations.[38] A senior DI officer recalls that CIA analysts had routine access to strategic and tactical DEA intelligence reporting, but not to law enforcement investigative and operational information.

1081. CIA only disseminated three finished intelligence products during the 1980s that related at all to potential Contra involvement in narcotics trafficking. These were: (i) a 1985 National Intelligence Estimate (NIE) concerning the international narcotics trade; (ii) an April 1986 Memorandum for Vice President George Bush; and (iii) the January 1987 Memorandum from Acting DCI

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[38] According to DEA, "DEA's first priority is to protect its ongoing investigations, and secondly, to share as much information as is possible with Federal, State, Local or foreign authorities with whom we work."

Robert Gates to Assistant Secretary of State for Intelligence and Research Morton Abramowitz.

1082. **1985 National Intelligence Estimate.** National Intelligence Estimate (NIE) 1/8-85, "The International Narcotics Trade: Implications for US Security," was published in November 1985. One paragraph dealt with trends in the "narcotics industry" and noted that the "continued expansion of trafficking routes through Central America" was of "particular concern because of the number of antigovernment insurgent groups active there." The paragraph went on to note:

> We have no confirmed reports that link Central American insurgent groups with drug trafficking, but we cannot rule out the possibility that individual contacts have already occurred.

The estimate made no explicit reference to the Contras or any other specific insurgent group in Central America.

1083. A senior DI officer says that the Contras were not dealt with in the NIE because the focus of the estimate was on the "bad guys"--individuals, groups, and governments, such as the Sandinistas, that were hostile to U.S. interests. The Contras, he states, were regarded as friends and were outside the scope of the Estimate. There was never any discussion about including them; "it just never came up." The then-NIO does not recall any discussion among Intelligence Community analysts who participated in the production of the NIE concerning the acquisition of more intelligence reporting concerning insurgent groups and their ties to narcotics traffickers.

1084. **1986 Memorandum for Vice President Bush.** On April 6, 1986, a Memorandum entitled "Contra Involvement in Drug Trafficking" was prepared by CIA at the request of Vice President Bush. The Memorandum provided a summary of information that had been received in late 1984 regarding the alleged agreement between Southern Front Contra leader Eden Pastora's associates and Miami-based drug trafficker Jorge Morales. Morales reportedly had offered financial and aircraft support for the Contras in exchange for

FRS pilots to "transship" Colombian cocaine to the United States. CIA disseminated this memorandum only to the Vice President.

1085. The DI/OGI analyst who drafted the Memorandum says that there was no follow-up. Furthermore, the analyst recalls no further DI discussion of the Contras' alleged involvement in drug trafficking until the Memorandum that was written for Assistant Secretary of State Abramowitz in 1987.

1086. **1987 Memorandum for Abramowitz**. The most comprehensive discussion of alleged Contra narcotics trafficking was included in a January 21, 1987 Memorandum from Acting DCI Robert Gates to DoS Assistant Secretary for Intelligence and Research Morton Abramowitz. The genesis of this Memorandum, entitled "Assessment of Alleged Connections Between Drug Traffickers and Anti-Sandinista ('Contra') Groups," was a January 9, 1987 memorandum from Abramowitz to then-Deputy Director of Central Intelligence Gates indicating that Assistant Secretary of State Elliott Abrams had expressed concern about the possible involvement of Contras in narcotics trafficking and had requested an Intelligence Community study "on an urgent basis." The memorandum from Abramowitz indicated that Abrams wanted the study "to pull together all foreign and domestically-generated information that is available, rumors and all, and provide an assessment of the credibility of the charges." Further, the memorandum to Gates indicated:

> The Assistant Secretary believes that it is essential that we know before the rest of the world if any of those whom we have funded are engaged in this business so that they can be expelled from the ranks of the resistance.

1087. The Memorandum to Abramowitz was written under the auspices of the NIO/Narcotics and was drafted jointly by officers from the DO and the DI's Office of African and Latin American Analysis. In addition to DO reporting, the assessment relied heavily on DEA information. Six topics were addressed, including:

- Allegations discussed in three disseminated DO reports of October, November and December, 1984 concerning Pastora, Adolfo Chamorro, Gerardo Duran, David Mayorga, and Jorge Morales;

- Statements to FBI and DEA undercover agents by Orlando Bolanos, who claimed to be in command of an anti-communist movement in Nicaragua called the " Internal Front," that he planned to smuggle cocaine into the United States;

- The Frogman Case, which involved Nicaraguan drug traffickers who had been apprehended in early 1983 while swimming ashore near San Francisco, including information indicating that an unnamed suspected drug trafficker had placed 51 calls to a telephone in the FDN office in San Francisco that was later learned to have been listed to one of the defendants in the case. The defendant's name was not given;

- "Suspicious activities" at Ilopango air base in El Salvador;

- An allegation that Roger Herman, political director for the Contra group, KISAN, was involved in cocaine smuggling into the United States; and

- Allegations that the ranches of "two [unnamed] U.S. nationals" in Costa Rica, were used to smuggle weapons to the Contras and cocaine into the United States.

1088. The Memorandum prepared for Abramowitz concluded that there was "no indication that anti-Sandinista groups that have received or now are receiving support from the U.S. Government have engaged in drug trafficking to fund their operations." Moreover, according to the Memorandum, DEA and FBI officials, along with Intelligence Community leaders, said that "no credible information exists to support" allegations of Contra involvement in drug trafficking that "have surfaced over the past four years, particularly when renewed funding for the Nicaraguan insurgency was under consideration in the U.S. Congress."

1089. The Memorandum also concluded that, if Contra organizations had unwittingly received donations from sympathizers who derived the funds from drug trafficking:

> . . . our best judgment is that the donations probably reflected personal decisions on the part of the donor rather than an organizational effort on the part of an anti-Sandinista group.

Further, the Memorandum stated that "we have no information suggesting Pastora's personal involvement" in the alleged agreement between his associates and Miami drug trafficker Morales, but "he may have been aware of them given his apparently close association with these individuals."

1090. A January 21, 1987 transmittal letter that ADCI Gates attached to the Memorandum when it was sent to Abramowitz indicated that the Memorandum was being released with two qualifications:

- DEA Headquarters planned to follow up on the matter of the adequacy of a DEA investigation of alleged drug trafficking at Ilopango.

- The U.S. Customs Service was investigating allegations by Mario Calero that crew members working for Southern Air Transport might have been involved in drug trafficking.

The transmittal letter concluded with the observation that:

> . . . as future drug trafficking cases surface it is likely that we will see more assertions of Contra connections. Such assertions may take the form of self-serving stories by traffickers for use in their legal defenses as well as allegations by the Sandinistas to discredit the insurgents.

1091. According to a senior DI officer, Gates made it clear in commissioning the Memorandum that the issue raised by Abrams and Abramowitz must be addressed "head on and let the chips fall where they may." This officer recalls that the core judgment of the analysts involved in producing the Memorandum was that only a handful of Contras might have been involved in drug trafficking. No one believed, he recalls, that there was a major conspiracy or drug trafficking network at play. Concerning the Ilopango issues, the senior DI officer states that DEA had sent a DEA officer to El Salvador to investigate and the officer had concluded there was no substance to the allegations.

1092. A March 31 1988 MFR by OCA Director John Helgerson indicated that SSCI Staff Director Sven Holmes had been provided a copy of the January 21, 1987 Memorandum that had been prepared for Assistant Secretary of State Morton Abramowitz.

TO WHAT EXTENT DID CIA SHARE INFORMATION WITH CONGRESS REGARDING ALLEGATIONS OF DRUG TRAFFICKING ON THE PART OF INDIVIDUALS, ORGANIZATIONS, AND INDEPENDENT CONTRACTORS ASSOCIATED WITH THE CONTRAS?[39]

1093. CIA records indicate that CIA notification to Congress regarding allegations of drug trafficking occurred primarily in response to congressional inquiries until 1984 and did not focus on the Contras specifically. For example, on July 14, 1982, DDCI John McMahon testified before the SSCI concerning the issue of "United States Government Current and Projected Efforts on International Illicit Drug Trafficking." The questions posed to McMahon at that time by the SSCI Staff related to the overall Intelligence Community strategy and reporting responsibilities concerning the narcotics issue. The relevant portions of the SSCI transcript of this hearing contained no explicit references to any connection between the Contras and drug trafficking.

1094. **DO "Nicaraguan Program Summary" Information.** As mentioned earlier, three intelligence reports were disseminated by the DO to senior officials in the intelligence and law enforcement agencies between October and December 1984. These reports indicated that senior Southern Front leaders associated with Eden Pastora had concluded a mutual assistance agreement with Miami-based drug trafficker Jorge Morales. During the fall of 1984, the information provided was also reported in a CIA publication titled the "Nicaraguan Program Summary," a weekly report that was provided to the SSCI at its request. The weekly publication emphasized military activities, but also reported information about "funding, arms and other materiel assistance obtained by the Contras from (or promised by) third governments and private sources."

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[39] Preceding sections of this Report discuss the extent to which CIA shared information related to alleged drug trafficking by specific individuals and organizations associated with the Contras. This section examines the extent to which information about alleged Contra-drug trafficking was shared with Congress in a general sense.

1095. The information first appeared in the DO "Nicaraguan Program Summary - Week Ending 21 October 1984," dated October 24, 1984. This edition included a special entry entitled "Private Support" that stated:

> Adolpho [*sic*] Chamorro and Marco Antonio Aguado said that the FRS had obtained in early October 1984 two helicopters and one fixed wing aircraft. This support was reportedly the result of Chamorro's and Aguado's recent trip to Miami to secure funds and material support for the FRS.

1096. Another DO "Nicaraguan Program Summary - 14-28 October 1984," dated October 28, 1984, provided additional information to the SSCI:

> Unconfirmed reports have been received which tie Pastora and several command-level members of his organization with [*sic*] drug smuggling operations in the United States. According to these reports, the FRS reached an agreement with an unidentified Cuban narcotics trafficker in Miami to provide operational facilities in Costa Rica and Nicaragua plus assistance with Costa Rican Government officials in obtaining documentation. In exchange, the FRS would receive financial support, aircraft, and pilot training. We have relayed this information to appropriate law enforcement agencies and will apprise the Oversight Committees of additional developments.

1097. The DO "Nicaraguan Program Summary - Week Ending November 11, 1984," dated November 11, 1984, provided still additional detail:

> In late October 1984, negotiations were allegedly completed whereby a Colombian narcotics trafficker would support the FRS with funds and aircraft in exchange for the use of FRS pilots in the drug trafficker's narcotics activities. Under the terms of the agreement, the FRS would provide an unspecified number of pilots for use in narcotics transportation in exchange for the loan of a Cessna 404 aircraft for use in FRS military operations in Costa Rica and El Salvador as well as monthly payments of U.S. $200,000. Information at this time suggests that this drug operation is part of the activity previously described in the last Nicaragua Program

> Summary. We are in the process of acquiring additional details and are coordinating future actions with the Department of Justice.

1098. **Other Information Sharing with Congress**. On January 29, 1985, the Agency forwarded to Steven Berry, HPSCI Associate Counsel, a response to a question he had raised regarding Pastora's possible consummation of a working arrangement with Colombian drug dealers. The Agency response noted that "all relevant details have been reported in the Nicaraguan Program Summary." The response added that:

> To summarize . . . intelligence reporting indicates that members of Pastora's organization (FRS) have agreed--either with Pastora's direct knowledge or tacit approval--to provide pilots and landing strips inside Costa Rica and Nicaragua to a Miami-based Colombian drug dealer in exchange for financial and material support. Information pertaining to Pastora's involvement in drug trafficking has been forwarded to the appropriate Enforcement Agencies.

1099. On January 6, 1986, the SSCI requested Agency comments concerning a December 27, 1985, *Washington Post* article entitled "Nicaragua Rebels Linked to Drug Trafficking." A similar request was levied the next day by HPSCI Staff Director Tom Latimer. CIA's reply to both Committees was provided on January 22, 1986 in a letter signed by ADCI McMahon. The letter described the Agency's knowledge of Adolfo Chamorro's involvement with Morales, provided information about other contacts Chamorro had with suspected drug traffickers and offered a briefing concerning Chamorro's activities. In addition, the letter mentioned Gerardo Duran's arrest in Costa Rica and Duran's connection to Morales.

1100. According to a May 7, 1986 MFR prepared by Louis Dupart of CATF, CIA representatives met with Richard Messick, Chief Counsel of the Senate Foreign Relations Committee (SFRC), on May 7, 1986. Messick reportedly called the meeting to "permit members of Senator [John] Kerry's staff to outline in greater detail information which they had uncovered that pointed to violations of U.S. law"--primarily related to the activities of John Hull. According to this MFR, William Perry of the SFRC staff, Charles Andreae of Senator Richard Lugar's staff, and Ronald Rosenblith, Jonathan Winer and Dick McCall from Senator Kerry's staff represented the Congress. CIA was represented by John Rizzo, OCA Legislative Affairs Chief; George Jameson, Counsel to the DDO; and Louis Dupart, CATF Policy and Plans Chief. DoS was represented by William Walker, Deputy Assistant Secretary of State for Inter-American Affairs; Ambassador Duemling, Director/NHAO; and a representative from the DoS Office of the Legal Advisor. Representatives from Justice, FBI, and DEA also attended. The Dupart MFR concluded that:

> . . . Overall, the meeting was not fruitful. Kerry's Staffers were unwilling to provide details or identify their sources. Without this information it was impossible to meaningfully rebut the allegations that have been made of violations of U.S. law.

1101. According to a May 8, 1986 MFR written by a CATF officer, she, Rizzo, Dupart, and David Pearline, met with SFRC Chief Counsel Messick again that day to continue discussions about Senator Kerry's investigation:

> Messick feels that Kerry's staff sandbagged him by not providing all of the relevant correspondence. He noted that he had received a letter written by the U.S. Attorney in San Francisco that refuted the [drug] charges that members of the [Contras] had been involved in drug smuggling.

The MFR also noted discussions in this meeting regarding the nature of the information that American journalists Tony Avirgan and Martha Honey had to support their allegations of murder, attempted murder and drug smuggling and the relationship of their witnesses to the Kerry investigation. According to the MFR, Messick said that:

> [Senator] Kerry called Senator Lugar on 7 May . . . to request a five day hearing on his allegations . . . . Lugar was apparently not sympathetic and told Kerry that he will have time to air his information but will not have five days of hearings on his allegations alone. Messick said the hearing will be in early June and will probably be two morning sessions.

1102. Additionally, the May 8, 1986 MFR stated that Messick was told that the FBI had "extensive information on the people who had been interviewed by Kerry's staff . . . . " Dupart reportedly told Messick that "[Dupart] could not discuss in detail the information provided by the Bureau" and that Messick "would have to go to the Bureau for the details." The MFR stated that the meeting lasted one hour and a half and "at the end it was agreed that we would keep in touch."

1103. An August 1, 1986 MFR from Dupart to CATF Chief Fiers and the LA Division Chief recorded a July 9, 1986 meeting with HPSCI Staff member Mike O'Neil on John Hull. According to the MFR, the meeting was held in CATF Chief Fiers' office. Dupart wrote in his MFR that Fiers noted that:

> We have no information of Hull having been involved in violations of U.S. law. Further, since we are not a law enforcement agency, we have not collected or sought any information on this. Consequently, while it is possible that Hull had in fact violated the law, we have no knowledge of any violations. We would have reported them to the Department of Justice per standard Agency procedures.

The MFR further stated that, in response to other questions from O'Neil, Fiers said that Pastora had voluntarily renounced his role as a resistance leader.

1104. A March 5, 1987 MFR written by OCA's Robert Buckman indicated that Fiers and the ALA Deputy Director briefed SSCI members and staff concerning Nicaragua that same day. The MFR noted that those attending the briefing had been informed that "the BOS risked losing its U.S. aid if it did not fully sever its ties with Adolfo "Popo" Chamorro" because of his possible involvement in drug dealing.

1105. An April 30, 1987 CATF MFR indicated that CATF Chief Fiers briefed the SSCI concerning the Nicaraguan program on the same date. According to the MFR, Fiers explained the allegations regarding Southern Front involvement with drug trafficking dating back to late 1984. Fiers stated that, on learning of the arrangement that was made between Jorge Morales and senior ARDE leaders, CIA had "turned [the matter] over [to] DEA." The MFR also stated that Fiers had added that Octaviano Cesar--brother of BOS leader Alfredo Cesar--had a close relationship with Morales and that Cesar was questioned when this connection became known and Cesar's answers caused CIA to conclude that Cesar was probably involved in drug trafficking. Further, Fiers told the SSCI that the DO had learned that one of its air crew subcontractors was under indictment in Detroit and that CIA was now asking the FBI and DEA to run traces on all subcontractors involved in the Contra program.

1106. CIA received a letter from Representative Charles B. Rangel, Chairman of the U.S. House of Representatives Select Committee on Narcotics Abuse and Control, dated May 14, 1987, requesting information concerning Contra drug trafficking as a result of media allegations. A May 28, 1987 response by the CIA Director of Congressional Affairs, David Gries, denied "any allegation that the Agency was involved in drug trafficking in support of the Contras."

1107. A July 15, 1987 memorandum from OCA Officer Robert Buckman to OCA Director Gries, stated that convicted narcotics trafficker Jorge Morales had testified that same day before the SFRC Subcommittee on Terrorism, Narcotics, and International Operations regarding Contra drug trafficking and gun running. The memorandum stated that Morales had implicated the Agency in drug trafficking, but the memorandum did not describe any specific allegations by Morales.

1108. After Morales' appearance before the SFRC Subcommittee on Terrorism, Narcotics and International Operations, Fiers was called to testify before the SSCI on July 31, 1987. According to the SSCI transcript of that testimony, Fiers summarized CIA information concerning possible Contra involvement in drug trafficking. In his opening remarks, Fiers stated:

> What we have found to date is that none of the people currently involved in the resistance leadership, armed or political, have any--we have uncovered no indications that any of these individuals are involved or have been involved in narcotics trafficking.

Fiers noted, however, that there was one resistance leader--unnamed by Fiers--who might be involved in trafficking and that he was under "active investigation."[40]

1109. Fiers added in his testimony that:

> We have a significant body of evidence with regard to involvement of the former members of ARDE in the Southern Front--Pastora's people--being directly involved in cocaine trafficking to the United States and as part of an effort to maintain and fund their organization during the period of cutoff after May of 1984.
>
> Conversely, we have never found any evidence indicating that the FDN or those around the Northern Front, as it is known today, have been involved in cocaine or any drug dealings, and we have looked very closely at that . . . .
>
> I believe personally, based on the evidence that I have seen, that there is a basis in fact for the claims that Jorge Morales has made in his testimony and in his public statements, that he was involved with members of ARDE in cocaine smuggling.
>
> We first began to develop information on that involvement in October of 1984. There were some vague indicators of problems prior to that in the 1983 time frame, but nothing specific.

Also during his July 31, 1987 SSCI testimony, Fiers described what was known to CIA about narcotics allegations concerning the unnamed resistance leader and Contra-related personnel Marcos Aguado, Octaviano Cesar, David Mayorga, Adolfo and Roberto Chamorro, and Gerardo Duran.

1110. An August 3, 1987 OCA MFR by Buckman recorded a meeting of SSCI and OCA officers that day. Attending for the SSCI were Staff Director Sven Holmes, Jim Dykstra, Dave Holliday, Keith Hall, and Britt Snider. David Gries, Al Dorn, and Robert Buckman represented OCA. According to the MFR, Holmes questioned CIA's use of Alan Hyde in the Contra supply program in light of allegations of drug-related activities by Hyde. The MFR indicated that Fiers was contacted by telephone during the meeting and reportedly stated that Agency policy was that persons such as Hyde could be used in the Contra program if there were no ongoing investigations of wrongdoing or no outstanding indictments.

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[40] As discussed earlier in this Report, the unnamed resistance leader appears to have been Jose Davila.

1111. An October 14, 1987 OCA MFR indicated that in a briefing to the SSCI Staff on that same day, Fiers provided SSCI Staff members additional information about a Contra leader who might be involved in drug trafficking and to whom Fiers had referred in his July 31 testimony. He told Staff members that regarding the Contra leader--Jose Davila--as a result of questioning by CIA Security, there were major concerns regarding narcotics-related issues.

1112. A December 22, 1987 letter from DCI Webster to Senator Kerry of the SFRC stated that Webster:

> . . . welcomed the opportunity to meet with you and discuss your concerns about John Hull and your request for assistance in the Subcommittee's narcotics investigation. This is the kind of open and unencumbered exchange that I believe we must have between the Agency and Congress.

The Webster letter also stated that:

> Concerning John Hull, I can assure you that he is not receiving any support from the Agency, and we have no reason to believe that any other element of the United States Government is supplying such support. As you will recall, you were briefed on John Hull on 15 October 1986 following the Hasenfus crash. My staff is prepared to provide you with an update if you wish.

The Webster letter also stated that Webster wanted to assure Senator Kerry "once again that you will enjoy this Agency's fullest possible cooperation during the course of the Subcommittee's investigation."

1113. John Helgerson, Director of the Office of Congressional Affairs from January 1988 to March 1989, says that CIA attempted to comply with requests for information from committees of Congress--such as the SFRC--other than the intelligence oversight committees by coordinating the requests and Agency responses. He says:

> We in OCA worked over an extended period of time with the SSCI staff to identify what they thought to be information appropriate to the needs of the non-intelligence committees. To the extent of my knowledge, we provided that without reservation [and] considered that "full disclosure" as it fully met the requests of those committees legitimately engaged in the oversight of the CIA.

1114. A January 4, 1988 OCA MFR by Buckman indicated that CATF provided a summary briefing for SSCI concerning the Nicaraguan program on the same date. At the briefing, Senator Bill Bradley inquired about allegations of drug trafficking, and Fiers responded that "Pastora had been involved with Colombian trafficking but that the FDN was clean."

1115. A February 2, 1988 OCA MFR, regarding a January 27, 1988 meeting, indicated that Senator Pete Wilson of California was briefed by CATF regarding allegations of human rights abuses and drug trafficking by the Contras. According to the OCA MFR, Senator Wilson was informed by a CATF officer that:

> . . . we look into the allegations periodically and are assured that there is no drug running going on among groups the US supports. We have had some evidence that two people close to Pastora were implicated in drug trafficking in 1984.

1116. A March 31, 1988 MFR by OCA Director John Helgerson indicated that SSCI Staff Director Sven Holmes had been provided a copy of the January 21, 1987 memorandum that had been sent by ADCI Robert Gates to Assistant Secretary of State Morton Abramowitz. The memorandum, entitled "Assessment of Alleged Connections Between Drug Traffickers and Anti-Sandinista ('Contra') Groups," was reportedly coordinated through the Intelligence Community and DEA and contained an assessment of alleged

Contra-related narcotics trafficking. It concluded that "no credible information exists to support" allegations of Contra involvement in drug trafficking that had been made over the previous four years.

1117. A February 23, 1988 OCA MFR documented one of a series of weekly meetings between OCA representatives and SSCI Staff members. These meetings resulted from a request for information by Senators Kerry and Pell of the SFRC, via the SSCI, for documents relating to the Contras and drug trafficking. The MFR stated:

> A meeting has been held between Senator Kerry with [*sic*] Senator Boren . . . to arrange for SSCI to acquire Agency records on allegations that profits from drug trafficking were channeled to the Contras. Senator Kerry claimed that there were CIA cables which had not been released to the Iran/Contra Congressional investigation.

1118. A March 14, 1988 letter from Senator Pell to Senator Boren referred to discussions between SFRC and SSCI Staff members. The letter stated that "the CIA has a number of documents in its files relating to narcotics and the contras. Specifically, these documents consist of cables to and from Central America which originated with the CIA." The letter made a SFRC formal request to the SSCI for assistance in gaining access to "the above mentioned documents."

1119. A March 15, 1988 OCA memorandum from OCA to a DO Legal officer and LA Division asked for a status report regarding a request from Senator Kerry for Agency information concerning Contra financial support from drug trafficking. The memorandum stated that LA Division was supposed to be reviewing cables Kerry claimed had not been released to the Iran-Contra congressional investigation.

1120. A March 22, 1988 MFR by OCA officer Buckman described a meeting with SSCI Staff members who again asked about the status of Senator Kerry's request for documents relating to the Contras and narcotics. According to the MFR, the SSCI interpreted the request to include "all cable traffic relating to narcotics and Panama, Costa Rica, Nicaragua, Cuba, the Contras, and [John] Hull."

1121. A March 24, 1988 memorandum from OCA Director Helgerson to DDO Richard Stolz, DDI Richard Kerr, the LA Division Chief , and three other component officers noted that Senators Kerry and Pell and the SSCI Staff were seeking information concerning narcotics reporting--specifically "CIA cable traffic [operational traffic and DO intelligence reports] on . . . the Contras and drugs." The memorandum commented that "realistically, we are likely to have to respond somehow--fairly quickly--to the Kerry and Pell requests regarding when we knew what, without passing raw reporting or operational traffic to the SSCI." The memorandum then outlined a strategy of providing DI finished intelligence products, rather than raw reporting, to the SSCI.

1122. A March 31, 1988 MFR by OCA Director Helgerson summarized a meeting with SSCI Staff members on March 29, 1988. The MFR stated that Helgerson provided the SSCI with a collection of materials that responded to the Kerry and Pell requests. According to the MFR, Helgerson pointed out to the Staff members that the collection did not include relevant material that had already been passed to the SSCI and consisted of, for the most part, finished intelligence products that reflected "all significant, substantive information available to the Agency on the questions raised by the Senators." The MFR said that the Helgerson noted that the package:

> . . . did not include, and we have been unable to identify, any significant new body of CIA information not previously passed to the Congress, such as is alleged to exist by Senators Kerry and Pell . . . . We at CIA are committed to no further action at this point, but I have no confidence that the subject will not come up again fairly soon.

1123. "Talking Points," dated April 14, 1988, were prepared for DCI Webster's use with Senators David Boren and William Cohen regarding Senator Kerry's request to see all CIA cable traffic concerning the Contras and drug trafficking. Attached to the talking points was an April 1, 1988 MFR that summarized CIA's efforts to satisfy Kerry's request by providing him with finished intelligence products. Also contained in the Talking Points were two options to resolve the issue. One was to "ask the I[nspector] G[eneral] to review all relevant materials, including operational cable traffic. The DCI could offer to report on the IG's findings to the Intelligence Committee." The other was to assist the SSCI Staff in conducting its own in-depth review by providing "the detailed information on the Central American and other narcotics problems" to a member of the Staff. The Staff would have to obtain additional information from the other relevant agencies, such as DEA, to accomplish its review, according to the Talking Points.

1124. A March 28, 1988 memorandum from DDCI Gates to DDI Kerr and DDO Stolz asked that a briefing concerning Contra involvement in narcotics-related activities be given to the HPSCI and SSCI on April 1, 1988. The material prepared for that briefing as a result of this request included: (1) a narrative entitled "Allegations of Resistance Activities in Narcotics Trafficking," which stated that, "All allegations implying that the CIA condoned, abetted or participated in narcotics trafficking are false;" (2) a copy of a March 31, 1988 memorandum entitled "Pilots, Airlines and Shipping Companies Used in Resupply Efforts That May Have Had Past or Current Ties to Narcotics Related Activities;" (3) a July 31, 1987 MFR prepared by a DO officer that recorded Alan Fiers' July 31, 1987 testimony to the SSCI/HPSCI Staff regarding Contra Narcotics Trafficking Allegations; and (4) seven documents that provided information concerning the following Contra-related individuals and organizations--Mike Palmer, Octaviano Cesar, Aldofo Chamorro, Barry Seal, Marco Aguado, Markair, Sebastian Gonzalez, and David Mayorga. No information has been found to indicate whether this specific briefing was provided to the SSCI or HPSCI by Gates or any other Agency official.

1125. A May 3, 1988 OCA MFR summarized a meeting on April 22, 1988 between Dewey Clarridge and two Staff members of the House Judiciary Committee's Subcommittee on Crime. The MFR stated that Clarridge was interviewed regarding his knowledge of drug trafficking by the Nicaraguan Government or the Contras.

According to the MFR, Clarridge discussed CIA's assistance to a 1984 DEA sting operation that resulted in the indictment of Federico Vaughn, an aide to Nicaraguan Interior Minister Tomas Borge, as a co-conspirator in a scheme to smuggle drugs into the United States. Clarridge reportedly was also asked a series of questions regarding alleged Contra involvement with drug smuggling. The MFR stated that Clarridge responded that these allegations arose after he left DO/Latin America Division--he was Chief of that Division from 1981 to 1984--and he was not in a position to comment on them.

1126. A May 18, 1988 letter from the Chairman and Vice Chairman of the SSCI to DCI Webster informed Webster that the SSCI was initiating an inquiry into "those aspects of the narcotics trafficking problem in Latin America that fall within the Committee's jurisdiction." The letter also conveyed a set of questions regarding Agency policy and procedure in general. One question focused specifically on Contra linkage to drug trafficking:

> When intelligence indicated drug involvement on the part of a Contra or Contra-[*sic*] supply personality or of a high-ranking military officer (e.g., in Honduras, Haiti or Panama), was this information highlighted for policy-makers in DEA, State and DoD, or brought to the attention of the National Drug Enforcement Policy Board (NDEPB) or an appropriate committee thereof? Did the handling of information pointing to US allies differ from that regarding our adversaries?

(Underlining in original.)

1127. A June 9, 1988 DO MFR documented a June 8, 1988 meeting between SSCI Staff members and CIA personnel to review the questions the SSCI inquiry was going to address. The MFR indicated that the specific question regarding Contra linkage to drug trafficking "refers only to specific persons whom [CIA] can identify." The CIA's answer to this SSCI question was provided in a July 6, 1988 memorandum that stated:

> There were a few raw intelligence reports from DO field stations which indicated Contras or contra-supporters may have been involved in illegal narcotics trafficking. These reports were

> disseminated through regular intelligence channels to senior policymakers, including those at State, DIA, NSA and other appropriate agencies.

1128. On February 22, 1989, shortly after November 1988 allegations of drug trafficking by Juan Ramon Rivas Romero--a Northern Front Contra leader who had been jailed for drug trafficking prior to his association with the Contras--Deputy General Counsel for Operations John Rizzo advised DDO Stolz that:

> I agree that it would be prudent to advise HPSCI and SSCI of this matter, although I should note that when I mentioned this to John Helgerson last week his initial reaction was that the whole thing was too dated and trivial to warrant telling the committees . . . .
> My only suggestion is that if and when we notify we do it low-key and on the staff level, since I don't think we have anything to be defensive about.

1129. A March 10, 1989 MFR from OCA Deputy Director for Legislation John Golden advised OCA Director Helgerson that:

> . . . the incident involving [Rivas] some 10 years ago may be viewed by some as being more than trivial. I noted that Norm Gardner [the Deputy Director, House Affairs, OCA] indicated [Rivas] had not been [questioned by CIA Security] on this issue and his current whereabouts are unknown. I recommended to John Helgerson that the Committees be informed of the fact that we recently learned of this matter and wish to bring it to their attention. It is understood that we have no reason to believe [Rivas] was involved in narcotics beyond the mentioned incident . . . . John Helgerson . . . . subsequently told me that he would have the committee staff so informed.

1130. A March 15, 1989 CATF memorandum provided "Talking Points" for OCA use to brief the HPSCI and SSCI regarding Rivas. The memorandum outlined Rivas' involvement in drug activities in Colombia in 1979; his arrest, incarceration and escape; and briefly described his record as "the ERN/N[orth]'s most capable commander." It also noted that:

> Rivas is not on the Drug Enforcement Administration (DEA) "watchlist," and, according to DEA, there is no indication that Rivas is currently involved in illicit drug activity. Further, DEA considers the information on Rivas "historical" . . . .

1131. According to a March 15, 1989 MFR by OCA Deputy Director for Senate Affairs Buckman, SSCI Staff member David Holliday had been briefed that day concerning Rivas. Holliday reportedly had been informed that the Department of State had determined that Rivas "should be removed from his post and that Resistance leaders agreed." The same memorandum noted that Holliday stated "that he would inform the Committee. He did not regard this as a serious matter." According to a March 16, 1989 MFR drafted by OCA, HPSCI Staff member Mike O'Neil was briefed telephonically on the same date regarding Rivas. The MFR noted that O'Neil "appreciated the briefing but had no real comments or remarks to make."

1132. A March 16, 1989 briefing paper entitled "Outline for HPSCI Political Action Briefing on 17 March 1989" stated that CATF would brief HPSCI Staff members on March 17 regarding a list of topics. A March 28, 1989 CATF MFR reported that this briefing was accomplished on March 17, 1989 by the CATF Chief of Operations to HPSCI Staff members Dick Giza, Mike O'Neil, Duane Andrews, and Steve Nelson. The MFR also reported that the Chief of Operations briefed the HPSCI Staff members about allegations of drug trafficking concerning Rivas. He reportedly informed the Staff that the Department of State had decided that Rivas would be "separated from the Resistance" and that State had informed Contra leader Enrique Bermudez of this decision on March 14. In response to a question concerning U.S. Government support for Rivas, the Chief of Operations reportedly said that CIA was not planning to assist in resettling Rivas, that Rivas may have received family assistance funds from the Agency for International Development and that Rivas had never received a salary from the CIA.

1133. **Individual Statements.** John Stein, DDO from July 1981 to July 1984, says that he was not involved in the Contra program as

DDO. DCI Casey and LA Division Chief "Dewey" Clarridge ran the Contra program but would keep him informed. Stein says he knew enough to brief Congress since Casey "was not welcome" in Congress to discuss this matter.

1134. The CATF Deputy Chief and Chief from 1982 to 1984, states that the HPSCI was kept fully informed of significant events in the Contra program on a weekly or biweekly basis. He does not recall allegations of drug trafficking by the Contras during his tenure, but notes that such allegations would have triggered "alarm bells" because of the politically charged atmosphere at the time.

1135. John McMahon, DDCI from June 1982 to March 1986, says that he did most of the briefings to Congress regarding "unsavory" issues, but does not recall briefing Congress regarding allegations of Contra drug trafficking. If there were a need to discuss issues in confidence, he would have done so with the Chairman and the Vice Chairman or Ranking Minority Member only. McMahon says that he would not let CATF do something that should not be done and that the ground rules were to be honest with Congress.

1136. An officer who was CATF Chief from 1982-1983 and LA Division Chief from 1986-1989, responded to written questions from OIG and wrote:

> . . . No . . . programs ever conducted by the Agency during my tenure was [*sic*] ever run as transparently as the Central American and Nicaraguan programs. Congressional members and staffers traveled frequently throughout the area and received extensive and detailed briefings on virtually every aspect of the program. Over a period of years the staffers became intimately familiar with the Contra program, and they would have been the first to call our attention to any problems in reporting on allegations of drug trafficking by Contras or Contra-related individuals.
>
> . . . .
>
> I do not remember participating in any briefing of Congressional members or staffers in regard to drug-related activities by the Contras or Contra-related individuals.

1137. Robert Gates, DDCI from April 1986 to January 1987 and May 1987 to March 1989 and ADCI from January to May 1987, says the Agency had an obligation to terminate its relationship with any asset suspected by law enforcement agencies to be engaged in drug trafficking. Gates says that he would not have made an exception and allowed the use of an asset who had past or present involvement in drug trafficking without getting it cleared through Congress and DoJ. Gates notes that, with the Agency's involvement in the Iran-Contra affair, it "needed to be purer than Caesar's wife."

1138. After the $100 million congressional funding authorization in 1986, Gates says there were many legislative enactments that affected the Contra program--what could or could not be done--and constant discussions with congressional staff members who were closer to the issues than individual Committee members. Gates says he went directly to the Chairman or Vice Chairman of the intelligence oversight committees when something was particularly sensitive. As ADCI, Gates says he met with the Chairmen or Vice Chairmen every two to four weeks, discussing a long list of items. According to Gates, representatives of the Agency's Office of Congressional Affairs accompanied him and wrote extensive memoranda of these meetings.

1139. Richard Stolz, DDO from January 1988 to December 1990, says he recalls no drug trafficking connection to the Contras. According to Stolz, the Agency's Counternarcotics Center took the lead in briefing Congress on counternarcotics matters.

1140. Current DCI George Tenet recalls that the SSCI held quarterly hearings on certain CIA activities while he was serving as an SSCI Staff member and Staff Director. Additionally, Tenet recalls that Senator Bill Bradley was personally interested in Nicaragua, received weekly or biweekly briefings on Nicaraguan covert action matters and regularly met with CATF Chief Alan Fiers and other U.S. Government policy officials regarding Nicaragua. Tenet does not, however, recall any briefings of the SSCI by Fiers concerning allegations of Contra involvement in narcotics trafficking.

1141. James Dykstra, former Minority Staff Director for the SSCI, says that biweekly briefings regarding the Contras were held at the request of Senator Bill Bradley who was the only Senator who regularly attended these briefings. Dykstra recalls that the Agency initially resisted the biweekly briefings and recorded transcripts, but ultimately agreed. Dykstra says that, in retrospect, it was good that Senator Bradley insisted on transcripts so issues were placed on the record. Dykstra recalls that Fiers also regularly briefed the SSCI Staff.

1142. Dykstra says that 1986-1987 was a "time of tension" due to the controversy over an Intelligence Oversight Bill. Dykstra says that former DCI William Casey also had strained relationships with Senator David Durenberger--then Chairman of the SSCI--and others in that time period. Dykstra says that, with all this tension, however, Fiers had developed an informal, friendly relationship with all the Senators and SSCI Staff members.

1143. Then-OCA Director John Helgerson states:

> . . . I did not undertake to provide all raw reporting of the DO to non-intelligence committees. I did work with the SSCI [Staff Director Sven Holmes] to provide other committees [*sic*] members with the material we and the SSCI judged met their needs within the limits of the guideline set by the DCI & [*sic*] DDO.
>
> . . . .
>
> The general DCI & DDO policy was to provide no raw traffic to non-cleared people on non-intell[igence] Committees. I recall that perfectly. [Concerning the Kerry SFRC subcommittee request for CIA documents] we (CIA) and the SSCI negotiated some exceptions designed to meet the legitimate needs of the Congress. Most of the limited raw traffic shown was shown to the SSCI; less to non-SSCI staff.
>
> . . . .
>
> The DCI's policy, and mine, was to give the SSCI & HPSCI everything appropriate to their inquiries. When requests came from those (oversight) committees for cable traffic and/or raw reports, we (DCI, DDO & me) negotiated with the Committees

> regarding what, exactly, they needed, & to my memory met their needs. When requests came from non-oversight committees, we negotiated with the SSCI and/or HPSCI on how best to respond.

Helgerson says that his role as Director/OCA was to make sure that the appropriate DO and DI officers "hooked up" with Committee and Staff members to provide substantive briefings regarding the Contras as required. He states that OCA, however, relied on Agency components to provide full and accurate information to Congress. Helgerson does not recall briefings regarding Contras and narcotics trafficking." Helgerson notes:

> I do recall more general questions about Noriega, Contras, and drugs. Very few of these questions originated with the oversight committees--they were primarily passing on the questions of others, as I recall.

1144. Helgerson says that Senators John Kerry and Claiborne Pell, who were not on the SSCI, were driving SSCI Staff Director Sven Holmes and the other SSCI Staff members on the issue of Contras and narcotics. He says that the SSCI Members and Staff were not "taken" with the topic and were very frustrated by the tasking from Senators Kerry and Pell. Helgerson says that he recalls there were two problems from an Agency perspective. First, there was virtually no guidance from Senators Kerry or Pell in terms of the specific information they wanted regarding drugs and Contras --that is, Kerry and Pell were on a "fishing expedition" and would ask "Give us everything you've got" which was too broad. Second, he does not recall how much "raw traffic" could be provided in summary and how much could be provided to the non-cleared people working on the Kerry subcommittee. He says that he recalls that Agency officers sometimes showed documents to the Kerry Staff members in the SSCI secure office space.

1145. Helgerson says that he does not recall a concerted effort by the Agency to get to the bottom of the allegations of narcotics trafficking. The Agency, as he puts it, was in the intelligence business, not law enforcement.

1146. Helgerson says that he was never comfortable that he was providing the intelligence oversight committees with everything the Agency had on a particular issue because the Agency's information on any subject was held in multiple files and data bases and OCA had to rely on the DI and DO to conduct thorough searches and provide complete responses. He says he was less comfortable with DDO Clair George than with Richard Stolz who succeeded George as DDO in January 1988. Stolz, he recalls, encouraged a "much more cooperative attitude" in the DO's dealings with the Congress. However, he says he is not aware of any decision to withhold cable traffic from SSCI or HPSCI Staff members.

1147. Helgerson says that OCA representatives were not always present at all briefings of the committees, particularly CATF matters in which Fiers enjoyed great autonomy. Fiers, according to Helgerson, often dealt directly with the DDO and even the DCI. As to whether SSCI and HPSCI Staff members could make decisions or provide advice to Agency briefers on sensitive issues without consulting the Chairmen or Ranking Minority Members, Helgerson says that he was amazed at the level of sensitive issues on which Staff members rendered judgments.

1148. An officer who was a Central American COS from 1987 to 1989 and LA Division Chief 1989 to 1992, states in a written response to OIG questions that there was "constant" communication with the oversight committees during the time he was involved in Central American matters. He recalls that Staff members came to CIA Headquarters regularly for briefings and frequently visited field stations.

R. B. Still
Richard B. Still

CONCUR:
L. Britt Snider
L. Britt Snider
Inspector General

Date 10/8/98

Appendix A

Jack Terrell

1. **Background.** Jack Terrell alleged that John Hull and the Contras were involved in drug trafficking. He also alleged that there was a plot involving Contra supporters to assassinate a U.S. Ambassador on behalf of Colombian drug traffickers. No information has been found to indicate that Jack Terrell had any contact with CIA or that CIA had any information indicating Terrell was involved in drug trafficking with the Contras.

2. **CIA Records** A January 28, 1986 cable to Headquarters requested traces concerning Terrell and stated:

> . . . according to the local [FBI, Terrell] claims to have contact with [CIA] by virtue of his service with the Nicaraguan Democratic Force in Honduras and Nicaragua from 1984-85. . . . [Terrell] said he is known . . . by his nom de guerre of "Flaco." . . . [Terrell] has identified his [CIA] contact as one "Rob Owens."[1]

3. A January 28, 1986 response to the trace request stated that Terrell was believed to be identical with a Civilian Military Assistance (CMA) member who used the alias "Flaco" while in Honduras. The cable noted that:

> . . . In March 85 he and 13 other [American citizens] associated with CMA were asked by [the American] Embassy to return to [the continental United States] from the Mosquito [*sic*] where they allegedly were planning to enter Nicaragua to blow up a bridge. The group including "Flaco" were [*sic*] repatriated to [continental United States] two days later. [Terrell] was not in contact with [CIA]. . . .

---

[1] Rob Owens was involved with NSC officer Oliver North in the provision of various types of support to the Contras during congressional funding cutoffs. No information has been found to indicate he had any relationship with CIA.

4. A March 24, 1986 FBI telex to CIA provided information from an FBI New Orleans office March 17, 1986 interview of Terrell. Reportedly, Terrell told the FBI that there had been several meetings in the Miami area between December 9 and December 23, 1984 involving CMA members--including Terrell--and Contras Stedman Fagoth and Wycliff Diego. According to Terrell, he was discussing tactics to be used by the Contras when he was called out of the meeting by the leader of the CMA, Tom Posey, to meet a person called "Corbo," who could provide the CMA with money, weapons, transportation, and "everything we've been looking for." Those who had been discussing tactics with Terrell allegedly became angry and told Terrell, "You don't want to meet with [Corbo] because he is into drugs and arms and he works directly for Francisco Chanes." Terrell also reportedly told the FBI that Posey had arranged for him to meet with Francisco Chanes who offered a million dollars if the CMA would assist in the sale of frozen lobster imported from Costa Rica. According to Terrell, a U.S. citizen associate of John Hull, was also present at this meeting.

5. An April 4, 1986 Headquarters cable to the FBI provided traces regarding Terrell and persons mentioned by him in his FBI debriefing:

> Results of this Agency's traces on Jack (Terrell) were passed telephonically to the FBI. In addition... Terrell's February trip to Costa Rica was arranged by [U.S. journalist] Avirgan. Besides falsely claiming employment by the . . . CIA, Terrell claimed arms for the . . . FDN come from Miami, Houston, New Orleans, Panama and El Salvador. Further he stated that the CIA buys arms in the Dominican Republic and ships them via Fort Lauderdale to Honduras. While in Costa Rica Terrell also revealed the names of alleged CIA and Department of Defense personnel who he says are involved in Anti-Sandinista activity. Sources who encountered Terrell described him as an extreme rightist and mentally unstable.

6. On April 11, 1986, an article in *The Washington Post* stated that:

> Jack Terrell, who was a leader of the American paramilitary group . . . CMA, said FBI agents and prosecutors from the U.S. attorney's

> office in Miami have met with him several times with at least two of those sessions becoming full-day meetings. Terrell said the investigators asked him about alleged weapons shipments from the United States to contra base camps in Central America, contra involvement in drug smuggling, and a reported conspiracy to assassinate the U.S. ambassador to Costa Rica, Lewis Tambs.

7. An April 15, 1986 cable to Headquarters commented that Terrell had made "scurrilous attacks on [CIA]".

8. A May 8, 1986 FBI telex to CIA and other U.S. Government agencies reported that the FBI had attempted "to locate Jack Terrill [*sic*] at his residence" in New Orleans. The owner of the apartment building where Terrell lived and where he served as building manager and handyman had reportedly said that:

> . . . on or about April 20, 1986, she received a call from another of the tenants in the building, stating that a strange woman of oriental appearance was taking the bed from the apartment previously occupied by Terrell. [The owner] went to the apartments [*sic*] and discovered that the bed and the . . . oriental woman were both gone. Terrell had apparently left, taking all of his possessions. Upon further checking, she determined that approximately $2000 was missing from the petty cash fund, as was about $2100 from the receipts from the soft drink machine. [The owner] stated that she had gone to the police and filed a complaint against Terrell. . . . [The owner] stated that she understood that Terrell did some very mysterious things and that it was possible that he had been forced to run and hide owing to his peculiar situation vis-a-vis international affairs.

An unsigned memorandum, dated "summer '86" and entitled "FBI Background on Jack Terrell, stated that:

> . . . [his a]rrest record begins in 1957 with an arrest for auto theft. Thereafter the record indicates numerous arrests for robbery, larceny, grand larceny, and burglary.

9. An unsigned memorandum, with a handwritten date of July 18, 1986 and entitled "Traces on Jack Terrell, a.k.a. Colonel Flaco," stated that information was provided that there was:

> a call from Terrell who called from Senator Kerry's office. . . . Because of FBI interest in the whereabouts of Terrell, we informed the Bureau's Counterterrorism Planning and Special Investigations Office at a 2 May meeting that Terrell was in the Washington area and had met with Senator Kerry's Staff. . . .

10. A July 31, 1986 cable requested traces concerning Terrell on behalf of the FBI: According to the cable, the local FBI office had provided a copy of a report from an FBI office indicating that Terrell had contacted the FBI in Houston, Texas,:

> . . . offering to provide information on Central American groups, Iranians and African National Congress (ANC) principals. [FBI] interviewed [Terrell] in August 1985 and again in February 1986. Terrell provided in-depth details on the "La Tronquera" training camp along the Nicaraguan border with Honduras.

11. A September 29, 1986 cable to Headquarters reported that a FBI Washington Field Office Special Agent had advised that the FBI interrogated Terrell in the course of an investigation concerning a threat to the President. According to the cable, Terrell told the FBI that:

> . . . he had recently returned from Manila where had had been offered one million USD[ollars] to establish a radio station for the New Peoples' Army by the head of the Communist Party [*sic*]. [Terrell] asked the case agent to put him in touch with [CIA] so that he might relate the story directly to those involved. . . . [Terrell] works for the Center for Developmental Policies . . . [in] Washington DC.

12. A March 29, 1988 Headquarters cable provided a draft of a memorandum that Headquarters proposed to distribute to the FBI and several U.S. military organizations as "a summary of all the information [CIA] has received on . . . Terrell since January 1988. . . ." The cable detailed Terrell's involvement with an insurgent leader of the Kachin Independence Organization based in Northern Kachin State, Burma. The cable also noted that "in Burma and Thailand Terrell is advertising himself as a former [CIA] officer." Finally, the

cable stated that Terrell has recently arrived in Manila and rented an apartment.

13. An April 6, 1988 memorandum from the DDO to the Director of the FBI and several U.S. military organizations included the information that was reported in the March 29 cable. The first paragraph of the memorandum stated that "The CIA has no involvement in Terrell's activities nor do we want any type of relationship with him." The memorandum also included the statement that "Terrell has never been employed by CIA." Most of the memorandum recounted a briefing provided by a U.S. Marine who was an intelligence officer serving at the Marine Barracks at Subic Bay. The Marine officer recounted that Terrell had offered his services to an insurgent group in Burma and claimed to be a former CIA officer. The Marine officer reportedly had received his information from a former Marine who was associated with Terrell and also directly from Terrell.

14. An August 23, 1988 *Washington Post* article mentioned that Terrell had been indicted along with Mario Calero and other Contra supporters for violations of the U.S. Neutrality Act. A July 14, 1989 *Washington Post* article reported that a federal judge had dismissed the Neutrality Act charges.

15. On June 12, 1991, U.S. Embassy Manila reported a plot to assassinate a rebel military leader involving the Philippine Foreign Secretary, Raul Manglapus, and an American. Key evidence of the plot was reportedly a tape recording of a purported discussion of the assassination plot between the Foreign Secretary and the American. An October 8, 1991 cable identified the American as Jack Terrell.

16. An October 9, 1991 draft DoS cable stated that DoS officers had met with the FBI on October 8 and were told that the American involved in the plot:

> . . . has been an asset of the FBI in a number of cases. When polygraphed in connection with this case and asked whether the other voice on the tape was that of foreign secretary Manglapus, his

> response was described as indicating deception (this tends to confirm our initial judgment that this affair is a hoax of some kind.)

17. An October 17, 1991 Foreign Broadcast Information Service translation of a Manila Broadcasting Company report stated that Foreign Secretary Manglapus:

> . . . strongly denied the television news report implicating him in an attempt to assassinate [the] rebel leader. ["]The charge is categorically false, and I have not plotted to kill anyone, and I have not paid money to anyone to undertake matters on my behalf.["] According to Manglapus the source of the story came from [*sic*] Jack Terrell, an ex-convict with questionable credibility. Manglapus admitted that he got to know Terrell during an occasion at the International Center in Washington, where Terrell said that he was working. . . . Terrell went to Manila to meet him but he was not aware that he was already terminated from the International Center.

18. An October 17, 1991 U.S. Embassy Manila telegram to the DoS described a meeting between Manglapus and the American Ambassador. According to the telegram:

> While Manglapus was in exile in the United States, he was associated with the Center for Development Policy. . . . The American behind this present story, Terrell, came to Manila about two years ago purporting to represent the Center for Development Policy. He informed Manglapus that he was a shrimp trader. Manglapus admits that he unwisely took Terrell into his home and confidence. He failed to check out Terrell's credentials. He has done so since through an American lawyer and understands that Terrell has a prison record, having served eight to ten years "in Alabama" for armed robbery. Manglapus also notes that Terrell perjured himself in some matter related to Contra affairs.

19. A column in the October 25, 1991 edition of the Manila *Inquirer* reported an interview of Terrell's Manila neighbor who had said:

> . . . Jack [Terrell] was by his own account a colonel in the US Army who served in Vietnam and in Guatemala. He knew more about the Iran-Contra affair than did Col. Oliver North who was

> accused of selling military equipment to Iran to raise funds for the Contra rebels. Jack was forbidden to testify because he knew too much, and was liable to spill the beans on the American high officials. And he was in the Philippines to be out of the reach of US investigators.
>
> He claimed to be a scion of a wealthy Southern family with interest in the railroad line. Disowned when he refused to enter the family business, he joined the US Army which became his second family, and was due to retire in two years. . . .
>
> He left [the Philippines] to join the war in Iraq, fearful on not surviving it, saying that he had to go because he did not want to lose his retirement pay. . . .

In 1992[2] Terrell wrote:

> I've lived this life and it didn't count.
> . . . . My sister said to me: "You have lived a lie."

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[2] *Disposable Patriot. Revelations of a Soldier in America's Secret Wars* by Jack Terrell with Ron Martz, National Press Books, Inc.: 1992.

Appendix B

Frank Castro

1. **Background.** No evidence has been found to indicate that Frank Castro was a member of the Contras . However, information has been found connecting Frank Castro to the Contras and cocaine trafficking. An April 20, 1990 memorandum provided background information on Castro. The memorandum noted that a biographic questionnaire, in Spanish, asked Castro "in what military service, including the 2506 Brigade (Bay of Pigs) have you participated?" According to the memorandum, Castro answered that he had participated in U.S. Army training at Forts Knox, Jackson and Carson and that:

> . . . .
>
> 21. . . . because of this question being answered, a misconception took place and it was reported in Castro's file, that he was part of the 2506 Brigade. According to the files of this Directorate, [Frank Castro] did not work for the CIA during the Bay of Pigs Invasion, nor has he ever been an employee of the CIA in any capacity . . .

2. Eulalio Francisco Castro Paz was born in Cuba on June 4, 1942 and came to the United States, probably in 1961, seeking political asylum. He served in the U.S. Army from November 5, 1962 through December 6, 1963. He changed his name to "Frank Castro" and became a naturalized U.S. citizen sometime during 1971. In the early 1970s, Frank Castro was involved in anti-Fidel Castro activities that included bombings and attempted bombings of Cuban and Soviet facilities.

3. During the 1970s and 1980s, CIA cooperated with the FBI and other U.S. law enforcement entities in monitoring and reporting on Frank Castro's movements and activities. By 1983, Castro's name began to appear in regard to Contra-related activities.

4. **Allegations of Drug Trafficking.** According to an October 12, 1983 cable:

> On October 8, Frank Castro . . . revealed FDN interest in opening FDN front in Costa Rica, separate from ARDE. Castro . . . . [said] the FDN would be willing to provide info[rmation] on where they might establish bases, individuals they can trust, how they can operate without interference from [the Government of Costa Rica], etc.

5. In November 1983, according to a document captured by U.S. military forces in Panama City in December 1989:

> Frank Castro, a Cuban, is Pastora's assistant in his drug trafficking business. This Cuban has a group of combatants who pretend to be "Contras," but in reality work for the FSLN in Nicaragua (and Pastora knows it).

According to a November 22, 1983 DO memorandum, OGC had asked for a search of DO records for information concerning Castro. The memorandum noted that Castro was being prosecuted in Texas for drug trafficking, and DoJ had asked CIA about Castro's claims of affiliation with CIA. A handwritten, unsigned, undated note filed with the DO memorandum stated, ". . . DoJ is willing to drop [*sic*] if he was in fact associated [with] Agency."

6. On July 12, 1984 Headquarters responded to a cable that requested information concerning Castro. With regard to drug trafficking, the Headquarters cable stated:

> In 1979, Frank Castro was local drug trafficker and no longer involved in the anti-Castro movement. In 1981 [Castro] was arrested by Miami police on narcotics charges and in October 1982 was out on bond awaiting trial. Also in 1982 [Castro] was under court order not to leave Dade County, Florida.

Also on July 12, 1984, a cable noted that:

> Popo Chamorro had picked up a considerable amount of money in Santo Domingo that has been contributed to [Pastora's] movement. He did not say how much or from whom the money originated.

A handwritten note on the cable indicated "Frank Castro?"

7. On October 12, 1984, a cable reported that:

> When queried ... about who controls "Rene," (a Cuban-American who has approximately 30-40 armed Nicaraguan combatants deployed in northern Guanacaste [Province], Costa Rica) [it was] acknowledged that Frank Castro of Miami controlled "Rene".... All available information indicates that the group under Rene's command is not presently associated with either the FRS or MDN/ARDE. Previous reporting indicated that approximately seven Cuban Americans were deployed with this unit which previously (early June) was located at "Monico," [Hull's] [landing zone].

8. According to an October 25, 1984 cable, John Hull said that Frank Castro had donated two helicopters, two light aircraft and one C-47 to the FRS. The cable suggested that the C-47, then located in El Salvador, might be the one that Marcos Aguado had at Ilopango and might be under Dominican Republic registration. According to the cable, Castro had moved from Miami to the Dominican Republic and recently provided an unspecified amount of money to the FRS. John Hull says that, according to Cuban-Americans, Castro gave a lot of money to the Contras and was rumored to be involved in the drug business.

9. On October 31, 1984, a cable reported that:

> . . . personnel from the FRS, recently in Miami, had contacted Frank Castro and [another non-U.S. individual], the latter reportedly is closely associated with Sarkis G. Soghanalian. Castro was reported as having "connections" in Colombia and the Dominican Republic, and was presently located in the [Dominican Republic].

10. According to a cable on December 10, 1984 it has been

> commented that Frank Castro of Miami . . . continues to support Rene Corvo and his 40-60 man unit. Although no details were available, [it was] commented that Corvo may be involved in drug trafficking operations, supported by Castro.

11. A December 12, 1984, cable reported that:

> . . . .
>
> 2. . . . Frank Castro, a Miami-based Cuban American with ties to anti-Sandinista guerrillas, is installing or attempting to install a cocaine processing laboratory in northern Costa Rica. Castro is exploiting widespread paramilitary activities in northernmost Costa Rica as a cover for drug trafficking. [Reportedly] . . . Castro sent [an individual], Castro's middleman, to Costa Rica to purchase a ranch (finca) with landing strip near the Nicaraguan border. Reportedly involved with Castro and [this individual] is Rene Corvo, whose independently led anti-Sandinista paramilitary activities in northern Costa Rica and southern Nicaragua were subject of [a previous report]. [It is] said Corvo reportedly traveled briefly to Colombia following Corvo's return to Costa Rica [on or about] 29-30 Nov from Miami. [It was] inferred that travel to Colombia might be drug-related.
>
> 3. Request [Headquarters provide information concerning] Castro, [the individual cited above] and Corvo. There are no [local] traces on [this individual] or Corvo. Castro appears [in files] as anti-Communist Cuban American well-known in the exile community in Miami and also known to be involved with the anti-Sandinista struggle. . . . We would be particularly interested in knowing latest info[rmation] linking Castro to drug trafficking.

12. A December 15, 1984 draft intelligence report to Headquarters included a "source comment" that:

> There are also fears that Corvo, who has received support from Frank Castro, may be exploiting the military infrastructure in northern Costa Rica as cover for engaging in drug trafficking. Castro, a Cuban-American based in Miami and well-known as an anti-Communist, may be involved in drug trafficking as well.

13. A February 8, 1985, cable reported that an FBI Special Agent had questioned Moises Ruiz Nunez:

> . . . about ties between [John Hull] and Frank Castro, who has a reputation among Cuban-Americans as an anti-Communist, a right-wing terrorist, and a drug trafficker. [Nunez] told [the FBI Special Agent] that [Hull] knows that Castro should be avoided.

This was followed by a February 27, 1985 cable in which John Hull was discussed. In part, the cable said that a CIA officer "does not believe that [Hull] is involved with Frank Castro in any narcotics trafficking activities."

14. A June 1, 1985 cable referred to Frank Castro as a known narcotics dealer and requested details linking Pastora to Castro, Jorge Morales and a third individual. A June 17, 1985 response to the request provided information about Castro's involvement in drug trafficking in 1979, the "considerable" amount of money that possibly came from Castro in July 1984 and the FRS' receipt of a number of aircraft from Castro in October 1984.

15. A January 2, 1986 cable responding to an FBI request for information concerning Frank Castro reported that Castro was a pilot and gave Castro's most recent address as the Bonnet Travel Agency in Hialeah, Florida. The cable also provided a recapitulation of CIA information concerning Castro's anti-Fidel Castro activities.

16. On March 7, 1986, an FBI cable reported to CIA allegations by Jack Terrell that, some time before February 1985, Frank Castro had presented himself as the representative of Colombian drug trafficker Ochoa who wanted a U.S. Ambassador assassinated and who offered to pay one million dollars to have it done. The cable noted also that Castro was the main liaison between Colombian drug dealers and the Cubans.

17. On April 15, 1986, a cable suggested that a review of certain reporting would show that some:

> . . . consider Rene Corvo and Frank Castro as dangerous and counterproductive in the anti-Sandinista endeavor, however anti-Communist both may be. . . . [There have been] reported

> allegations that Castro may engage in drug trafficking. [Certain people] shun [Pastora], while Corvo and Castro have continued to support him.

18. In a November 5, 1986 cable, a specifically named individual was referred to as "a Cuban narcotics dealer . . . [known] to have frequent contacts with Rene Corvo and with one Frank Castro, a narcotics kingpin with alleged Sandinista connections."

19. In a February 10, 1987 cable to CIA regarding information about Carlos Lehder-Rivas, the FBI reported that Frank Castro was considered to be a narcotics trafficker, mercenary and a person who would do anything for money. The cable also noted that Castro was the subject of a Miami narcotics case and that Castro's break from the anti-Fidel Castro movement was consistent with the ideology of Lehder-Rivas who was pro-Fidel Castro.

20. A February 13, 1987 FBI cable to CIA Headquarters provided background information on Frank Castro, his father, brothers and other associates. With regard to Castro, the cable said that:

> . . . In 1981 he was arrested on four counts of [sale, delivery] and importation of narcotics (case was dismissed); . . . Castro pled guilty to carrying a concealed weapon, [adjudication withheld] fined [$]500.00. In 1983, Castro was [subject] in DEA case [involving conspiracy], importation of 425,000 lbs. of marijuana . . . Beaumont, Texas. Castro was also the main subject in the Miami Police Department Tick-Tock case in 1981.
>
> Frank Castro is a potential subject in the Rene Corvo; et al; neutrality matter . . . where allegations have been made by several individuals that Frank Castro, along with Francisco Chanes . . . plotted to assassinate U.S. Ambassador Lewis Tambs in early 1985. . . . The allegations are that Frank Castro, as drug king Jorge Luis Ochoas [*sic*] representative, offered several individuals who are subjects in the above investigation, one million dollars, if they killed Ambassador Tambs.
>
> . . . In 1983 he was the leader and main supporter of another paramilitary training group operating in Naples, Florida. The

> group trained dozens of Nicaraguans and anti-Communist Cubans who later travelled to Central America to combat the Sandinista Nicaraguan government.
>
> Frank Castro was also one of the founders and main supporters of the Miami Cuban and Nicaraguan group named the Saturnino Beltran Commandos operating near the Costa Rica/Nicaragua border area. Unsubstantiated allegations have been made that Castro and others have used this Contra camp as a front to traffic drugs between Colombia and the United States.
>
> . . . Castro has very good connections with [the] Medellin Cartel Ochoa brothers. Castro is also known to travel [frequently] between Miami, Costa Rica and the Dominican Republic. Castro has [opened] a food processing [plant] in Costa Rica. Miami Police Department detectives believe Castro may be currently addicted to cocaine.
>
> [Another individual], a.k.a. "El Nino," . . . former subject in the MPD Tick-Tock drug investigation and current part owner of [a] Travel Agency . . . is a close associate and partner of Castros [*sic*]. [He] . . . is a pilot and resides [in] Hialeah, Florida.

21. A November 25, 1987 cable noted:

> . . . that DEA/Miami requested a meeting . . . . to discuss the development of case involving Frank Castro and [a specifically named] Cuban exile. . . . These individuals also figured in a narcotics case involving Cuba. Both men claimed to be working under the direction of [CIA]. Station assured DEA that we were not in any way involved with these persons.

22. **Information Sharing with Other U.S. Government Entities.** As explained above, CIA collected and shared information concerning Frank Castro with various U.S. law enforcement entities before, during and after the 1980s. No records have been found to indicate that CIA shared the information it collected concerning Castro with Congress.

Appendix C

To what extent did CIA have information indicating that the Government of Nicaragua, the Government of Cuba, or Nicaraguan- or Cuban-sponsored individuals were involved in alleged drug trafficking activities of individuals associated with the Contras?

1. No information has been found to indicate that either the Government of National Reconstruction (GRN) or the Government of Cuba (GOC) was involved in drug trafficking activities with individuals associated with the Contras. CIA reporting concerning drug trafficking by the GRN and the GOC during the 1980s concerned the use of Nicaragua and Cuba for the transshipment of drugs to the United States. None of the reporting linked any Contra organization or Contra member with such activities.

2. **Allegations of Drug Trafficking.** A September 23, 1982 cable reported that Interior Minister Tomas Borge Martinez was interested in making some sort of arrangement with a bank in Panama. Interior Ministry official Federico Vaughan took $350,000 with him to Panama for deposit in the Bank Continental. It was suspected the money and the arrangement with a bank in Panama were both related to drug trafficking.

3. An October 8, 1982 cable to Headquarters reported that U.S. fugitive Robert Vesco and Interior Ministry official Paul Atha had said in early October 1982 that the GRN was planning a drug smuggling operation to earn cash for the GRN Ministry of the Interior (MINT).

4. An October 9, 1982 cable to Headquarters reported information that the nine member GRN Junta had approved a plan for narcotics operations in July or August 1982. Reportedly Interior Minister Tomas Borge Martinez would organize and direct the operation with U. S. fugitive Robert Vesco acting as his advisor.

According to this report, the GRN was laying the groundwork through trusted collaborators in Colombia, Panama and Costa Rica.

5. A December 4, 1982 cable to Headquarters reported that the GOC was involved in planning possible narcotics shipments from Colombia to Corn Island in the Caribbean. This report identified Interior Ministry officials Paul Atha and Federico Vaughan as involved in the drug smuggling scheme. A December 9, 1982 cable to Headquarters indicated that Atha had said that Corn Island airstrip and El Bluff, Nicaragua would be used for drug air shipments. Managua airfields, would be used for emergencies and "decoy flights."

6. A February 1, 1983 cable to Headquarters reported that Atha and Vaughan went to Panama with $380,000 to deposit in a specifically identified bank. The deposit was reportedly the product of drug operations by Borge, Atha and Vaughan. The cable said that it was surmised that "higher GRN officials know about Borge's drug activities."

7. A May 26, 1983 cable to Headquarters reported rumors concerning cultivation of marijuana on the Nicaraguan Atlantic Coast and shipment to the United States. The cable stated the idea was credible and consistent with the GRN's desire to damage the United States in any way possible through drug trafficking.

8. A June 30, 1983 cable to Headquarters reported that GRN Vice Minister of Aviation Marco Salinas Pasos, FSLN Party official Jose Talavera, Cuban Ambassador Carlos Diaz, and a Cuban Intelligence Officer were involved in a drug trafficking conspiracy with Colombian drug trafficker Jorge Morales and a Haitian exile. It was reported that Salinas had agreed to arrange the purchase of a DC-6 in Managua for use in transporting a drug shipment from Colombia to the United States.

9. A December 30, 1983 cable to Headquarters reported that Federico Vaughan and Paul Atha intended to come to San Jose to introduce a person to cocaine dealers so that person could be the go-

between for buyers and sellers. Reportedly Vaughan said "The idea is to flood the U.S. with cocaine to the detriment of the imperialist youth while proceeds will help the Nicaraguan revolution." Vaughan also reportedly indicated that the GRN wanted to buy a ranch in Costa Rica with a landing strip to receive shipments of cocaine. Vaughan, Borge, Atha, and the Cubans reportedly used a codebook to encode messages regarding cocaine trafficking.

10. An April 3, 1984 cable to Headquarters reported information that Paul Atha and Tomas Borge were still involved in delivering drugs to Corn Island as of April 1984.

11. Cables dated April 28 and May 3, 1984 to Headquarters reported that the drug operation described in June 1983 involving Salinas and the purchase of a DC-6 apparently never occurred. The cable further indicated that there had been reporting beginning in April 1984 that a Salvadoran Farabundo Marti National Liberation representative in Managua, Jacinto Bustillos, and GOC Ambassador Diaz were involved in a drug trafficking conspiracy with Jorge Morales and the GRN leadership.

12. On December 11, 1984, a cable to Headquarters reported that a Nicaraguan defector who had worked for the GRN Front company H&M believed that Atha and Vaughan were involved in drug trafficking because of the large amounts of dollars they handled without any apparent source. Atha was the Managing Director of H&M and Vaughan worked directly for him.

13. A July 19, 1985 cable to Headquarters identified a Cuban-American as the General Counsel for COPA airline in Managua and a long-time friend and attorney for Atha. According to the cable, the Cuban-American had commented that Atha "has gone very far into highly dangerous activities that include the smuggling of drugs."

14. A September 27, 1985 CIA "Narcotics Report" stated that there was confirmation that Minister of Interior Tomas Borge was involved in smuggling cocaine from Colombia to the United States via Nicaragua. Reportedly this was a secret known only to Borge, his

assistant Franco Montealegre, the Chiefs of Police and State Security, and members of the National Directorate. Reportedly the Ministry of the Interior (MINT) became involved in drug trafficking in order to obtain money for clandestine operations by Intelligence and State Security Departments outside Nicaragua.

15. A typewritten Note for File, dated November 4, 1985, indicated that a former MINT officer had stated that H&M officials were former State Security officials or Sandinista policemen whose loyalty was unquestionable and that both Borge and Atha were extremely corrupt individuals.

16. In a February 27, 1986 cable to a number of Latin America Stations, Headquarters reported the former MINT officer's statement that Tomas Borge was directly involved with Colombian narcotics traffickers who used Nicaragua as a transit point for distributing drugs throughout the world. The Headquarters cable indicated that the officer claimed that Borge made arrangements with GRN Customs officials to ensure that selected aircraft coming from Colombia were not subjected to searches. The officer believed the income from narcotics operations was used to finance espionage operations. He testified to Congress in 1986 that Sandinista officials supported drug trafficking to earn foreign currency for espionage operations.

17. An August 8, 1986 cable to Headquarters reported that, in a 1982 meeting of MINT personnel, Borge commented that drugs seized in Nicaragua would be used as a "strategic arm" against the United States. According to Borge, this use of cocaine seized in Nicaragua would bring foreign currency to the Government and it would cause chaos within the United States. Further, Borge reportedly stated that the United States would be too occupied attempting to stop the drug traffic to be able to meddle in Nicaragua's affairs.

18. A November 8, 1988 cable to Headquarters forwarded a FBI Miami Field Office request for comment concerning information provided by the FBI relating to a 1984 agreement between Colombian

Medelin Cartel drug traffickers Carlos Lehder Rivas, Pablo Escobar Gaviria, Jose Gonzalo Rodriguez Gacha, and the GRN by which they would be allowed to stay in Managua, establish a base of operations, and be secure from Colombian and U.S. authorities. According to the cable, the FBI information indicated that $3 million had been turned over to Tomas Borge by the cartel leaders as consideration for the agreement. The cable also reported that a number of drug smuggling operations took place at Los Brasiles airport.

19. The November 8, 1988 cable further reported to Headquarters that the cartel used the services of Robert Vesco in October or November 1984 to gain GOC approval to overfly Cuba with drug shipments. Raul Castro reportedly was involved in the agreement. The cartel established a scheme to transship drugs through Corn Island and Cuba to San Andros Island, Bahamas with all communications concerning impending drug shipments made by secure means between the GRN and the GOC to prevent any disclosure of their association with the Colombian traffickers. The operation came to a halt sometime in early 1985.

20. An April 20, 1989 cable to Headquarters reported statements attributed to a former assistant to Paul Atha in H&M. The former assistant reportedly stated that the MINT was involved in early 1989 in supporting Borge's front company in transshipping drugs from Colombia through Corn Island, Nicaragua to the Bahamas.

21. A July 7, 1989 cable to Headquarters reported information provided by a GRN defector. According to him, a GRN officer stated in mid-1984 that the MINT had accommodated international drug traffickers from the Medelin cartel in a MINT safehouse in Managua. He also reportedly had stated that the GRN contact point for the drug traffickers was Paul Atha and that the GRN was involved in international drug trafficking targeted at the United States. The report also indicated that "drug trafficking would support revolutionary goals and was a means to an end," i.e., to improve the dire economic situation in Nicaragua and weaken the United States.

22. CIA Response to Allegations of Drug Trafficking. Information received by CIA throughout the 1980s alleging that individuals associated with the Cuban and Nicaraguan Governments were involved in drug trafficking appears to have been broadly shared with other U.S. Government entities. This was accomplished through intelligence reports that were disseminated by CIA to Intelligence Community agencies and in finished intelligence publications that were disseminated more broadly. For example:

- On April 15, 1983, LA Division disseminated an Intelligence Report to all Intelligence Community agencies reporting that the GRN, as of late September 1982, planned to purchase drugs in Colombia for eventual resale in the United States. The report stated that Tomas Borge, Nicaraguan Interior Minister, would organize and direct the drug smuggling operation and American fugitive Robert Vesco would act as his advisor. The report was disseminated to the FBI, DEA, Treasury, Customs, DIA, DoS, and NSA.

- On March 8, 1984, a DI analysis reported that drugs were to be shipped from Cuba to Nicaragua for onward transport in a Nicaraguan ship and delivery to the United States. The article conjectured that the GOC and GRN might be motivated to facilitate drug trafficking in order to obtain hard currency.

- An October 9, 1984 CIA DI analysis, titled "Nicaragua: Involvement in Drug Trafficking," reported that:

  > There is a growing body of evidence that high-level officials of the Sandinista government have been conspiring with Colombian drug traffickers to smuggle cocaine from Nicaragua into the US. . . . Despite recent publicity on Nicaragua's role in the drug trade and indictments issued in the US against [Federico] Vaughan and some of the other key participants, the prospect of hard currency earnings probably will keep the Sandinistas involved. This could result in a serious setback for US law enforcement and drug interdiction efforts.

- An October 1984 DI Intelligence Assessment summarized CIA and DEA reporting that supported a conclusion that high level Nicaraguan Government officials had conspired with Colombian drug traffickers to smuggle cocaine from Nicaragua into the United States. The Assessment specifically cited Tomas Borge as probably directing the operation, with at least the tacit approval of the Sandinista National Directorate and the Junta. The report was disseminated to the DoJ, DEA, Treasury, Customs, DoS, and NSA.

- A December 1984 National Intelligence Council Interagency Intelligence Memorandum titled, "Cuban Government Involvement in Drug Trafficking," stated that the GRN and GOC were working together in facilitating the shipment of drugs from Colombia to the United States.

23. **Information Sharing with Other U.S. Government Entities.** As explained above, much of the intelligence regarding alleged drug trafficking by the Sandinista Government was shared with other U.S. Government intelligence and law enforcement agencies. This was accomplished by dissemination of intelligence reports and finished intelligence products.

24. On April 6, 1984, CIA provided a response to questions posed by the SSCI concerning Nicaraguan involvement in drug trafficking. The response indicated that, although uncorroborated reports indicating Nicaraguan involvement in shipping cocaine to the United States had been received, CIA was unable to confirm reports implicating high-level Sandinista leaders in drug trafficking at that time.

25. On August 9, 1984, the National Intelligence Officer for Narcotics provided the DCI with summaries used to brief Congress concerning narcotics activity in Cuba and Nicaragua. The summaries described field reporting that indicated Nicaragua had been used as a

transit point for the shipment of drugs into the United States, possibly for the purpose of obtaining hard currency for the GRN. The summaries also provided information regarding cooperation between Cuba and Nicaragua in plans for the processing and shipment of narcotics purchased from Colombian drug dealers.

26. On March 16, 1988, CIA Deputy Director for Intelligence Richard J. Kerr testified before the House Select Committee on Narcotics Abuse and Control that the Nicaraguan Government may have been involved in narcotics activity to obtain hard currency. He cited the 1984 DEA sting operation that resulted in the indictment of Federico Vaughan, an aide to Interior Minister Tomas Borge, as a co-conspirator in a scheme to smuggle drugs into the United States.

27. According to a May 3, 1988 Memorandum for the Record prepared by OCA, Dewey Clarridge--who served as Chief of DO/Latin America Division from 1981 to 1984--was interviewed by two Staff members of the House Judiciary Committee's Subcommittee on Crime regarding his knowledge of drug trafficking by the Nicaraguan Government or the Contras. Clarridge, the MFR reported, discussed CIA's assistance to the 1984 DEA sting operation.

Appendix D

Potential Disinformation and CIA-Contra Drug Allegations

Were there indications of foreign government efforts in the 1980s to promote allegations that Contras were engaged in drug trafficking?

1. In 1985 and 1986, the Sandinista Government made a variety of claims that CIA or the Contras were connected to drug trafficking:

- In 1985 Nicaraguan Foreign Minister D'Escoto had complained to the Costa Rican Foreign Minister that Eden Pastora was building airfields which were to be used for narcotics trafficking to support his group.

- In October 29, 1985 discussing the First Ladies Drug Conference, the Nicaraguan newspaper *El Nuevo Diario* had said that "if Mrs. Reagan, in reality, with honesty, attempted to combat the distribution of drugs," she should prevent the CIA from providing drugs to the Contras, drugs that "unleash [the Contra's] bestial actions" against indefensible citizens and children.

- On November 8, 1986, the Foreign Broadcast Information Service reported translated excerpts from a speech by Sandinista leader Daniel Ortega that included allegations of CIA involvement in drug-related airstrips at Ilopango, El Salvador; Aguacate, Honduras; and Nicoya, Costa Rica.

- The Nicaraguan Ministry of the Interior (MINT) announced on November 23, 1986 that their investigations had uncovered a "vast net of drug traffickers' backed by the FDN, MISURA and 'the mafia'".

- A December 3, 1986 review of Sandinista media stories stated that *El Nuevo Diario* on November 28 carried an article titled "Contras Drowning in Drug Trade." The article reported that *La Nacion* of San Jose had "revealed" that the Secretary of the Conservative Party of Nicaragua, currently residing in Costa Rica, was connected with the shipment of "100 million dollars worth of cocaine" to the United States.

2. In the mid-1980s, Contra drug allegations were also featured in foreign publications outside Nicaragua. The U.S. Government agencies that reported these allegations, in many cases, attributed them to various Communist Parties, the Soviet Union and Cuba and mentioned a planned propaganda campaign involving the CIA-Contra drug theme.

- In a February 4, 1986 cable titled "Possible Disinformation re Contras," a cable informed Headquarters of an article in the January 9, 1986 issue of the West German illustrated magazine *Der Stern* asserting that the Contras, while being supported by the U.S. Government, were also financing their efforts through drug trafficking. The article reportedly commented on the apparent irony of President Reagan accusing the Nicaraguans of drug trafficking in 1985 if it were true that the United States was supporting drug-financed Contra activities in 1986.

- A February 5, 1987 cable describing a pro-Soviet political action campaign by the French General Confederation of Labor (CGT) notified Headquarters that the French Communist Party had instructed the CGT to begin a pro-Soviet political action campaign that included among its themes U.S. support for drug trafficking by the Contras.

- A story in the February 15, 1987 issue of a Tanzanian newspaper that was attributed to the Cuban newspaper agency, *Granma*, reportedly alleged that U.S. Government officials and CIA had diverted funds from the sale of narcotics to help fund the Nicaraguan Contra forces.

- In a May 4, 1987 program summary of Radio Moscow Spanish language transmissions to Chile, the Foreign Broadcast Information Service Station included an item that cited the U.S. Congress as reporting that the "war against the Sandinist[a] regime is . . . paid with drugs."

- An August 6, 1987 cable notified Headquarters of an "anti-[U.S. Government]" article in the Athens-based PASOK Party weekly *Exormisi* on August 2, 1987 titled "Drug Smuggling as a Method for Exercising Foreign Policy," and including quotations from an Italian publication L'*Unita* that alleged drug smuggling to be the source of funds for the Contras. In response, Headquarters noted that "*L'Unita* is a mouthpiece of the Italian Communist Party."

- A October 31, 1987, Headquarters cable noted a report on Soviet trade union activities in the international labor movement that noted that the Soviets were making a major effort to influence and control labor organizations worldwide "in order to use them to support Soviet foreign policy objectives and to further the aims of World Communism." Headquarters also stated that the French CGT had rejoined the World Federation of Trade Unions and had begun its new propaganda campaign including Contra-drug trafficking, at Soviet and French Communist Party direction.

- A September 15, 1988, cable mentioned articles in Bolivian newspapers were alleging that drug traffickers in Huanchaca, Bolivia were receiving protection from the U.S. Government and that the drug profits were being used to finance the Contras. Another cable on September 17, 1988 stated that a press service that was distributing the same articles in Rome was thought to have "long-standing Cuban links." In a September 29, 1988 telegram, the U.S. Embassy in La Paz reported to the Department of State (DoS) that the son of Bolivian drug trafficker Roberto Suarez was also spreading the Huanchaca allegations. An October 7 cable mentioned "[the] likely Cuban-sourced disinformation that [the U.S. Government] is narco-trafficking in Bolivia to fund the Contras."

Appendix E

Allegations by Tony Avirgan and Martha Honey of CIA and Contra Involvement in Drug Smuggling

1. **Allegations of Drug Trafficking by CIA and the Contras.** Anthony Avirgan and Martha Honey were husband and wife journalists and U.S. citizens. Avirgan was present at the press conference of Eden Pastora at La Penca, Nicaragua on May 30, 1984 where a bomb exploded. Avirgan and Honey asserted in the media that the perpetrator of the La Penca bombing was a right-wing, Libyan-origin terrorist who they said was named Amac Galil or Ahmed Khalil, and who used the identify of the Danish journalist, Per Anker Hansen. According to Avirgan and Honey, the terrorist was tied to the drug-financed "Secret Team" of FDN Contras and CIA agents. A June 5, 1984 cable to Headquarters reported that Martha Honey had "verified" that an individual at La Penca named Per Anker Hansen was there using false identification papers.

2. An August 27, 1985 cable notified Headquarters that Hansen, a Danish citizen whose passport had been used as identification by the attempted assassin, had been affiliated with organizations sympathetic to "South America" for several years.

3. According to media articles, between August 1985 and April 1987, Avirgan and Honey publicized their version of the La Penca incident and of a drug-financed CIA-Contra "Secret Team" in press articles and appearances in Norway, Denmark, The Netherlands, Spain, the United Kingdom, India, Uruguay, Nicaragua, and the United States, as well as in Costa Rica. In an article entitled "The Carlos File," published in the October 5, 1985 edition of *The Nation,* Avirgan and Honey cited a specific individual--Carlos Rojas Chinchilla--as the source of allegations linking the CIA-Contra "Secret Team" with drug trafficking. The article stated that Rojas said he was in contact with an individual named "David," who allegedly was a driver who had been killed by John Hull and buried on Hull's

ranch. Rojas was later arrested by Costa Rican authorities in August 1987 and at that time made a statement that "he made-up the 'David' story. . . . in return for a payment of $10,000." Avirgan and Honey also published their allegations in 1985 as a book titled *La Penca: Report of Investigation*.

4. **Legal Actions Resulting From Drug Trafficking Allegations**. Between 1985 and 1994, Avirgan and Honey were involved in several U.S. and Costa Rican legal actions as a result of their allegations of a CIA-Contra team of drug-financed secret operators with John Hull as their common focal point. The earliest was a libel suit that John Hull filed against the couple in Costa Rica in response to their 1985-86 press allegations. On April 11, 1986, Headquarters was informed of the Christic Institute's interest in this case. The suit was scheduled for final arguments on May 23, 1986.[1]

5. In May 1986, Daniel Sheehan filed a civil action, *Tony Avirgan and Martha Honey, Plaintiffs vs. John Hull, et al., Defendants,* in the U.S. District Court for Southern Florida, under the sponsorship of the Christic Institute. The May 29, 1986 complaint in what became known as the "La Penca Case" charged 30 individuals--including John Hull, Rene Corbo, Felipe Vidal, Moises Nunez, and Adolfo Calero--with conspiracy, injuries, battery, assault, intentional infliction of mental distress, and intentional interference with the business of the plaintiffs. The suit charged the defendants used six criminal means to "effectuate the unlawful objective of this Federal Neutrality Act Conspiracy."

6. Included among these alleged "criminal means" was a violation of Title 18, United States Code, Sections 1401, et seq., and 1952 [*sic*], to fund the equipping, arming, training, and supplying of members of a "foreign military expeditionary force" by smuggling cocaine from the Republic of Colombia through Costa Rica into the United States. The suit also alleged "one-dozen criminal overt acts

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[1] David Corn's 1994 book, *The Blond Ghost: Ted Shackley and the CIA's Crusades*, states that the libel suit was decided in 1986 in favor of Avigran and Honey "on technical grounds."

committed by the Defendants. . . ." Three of these alleged "criminal overt acts" involved drug trafficking or dealing with drug traffickers:

> . . . .
>
> 4. The transportation and sale of thousands of kilograms of cocaine from the Republic of Colombia, through Costa Rica on the land owned or managed by Defendant John Hull in Northern Costa Rica into the United States, where it was sold and distributed inside and beyond the State of Florida;
>
> 5. The purchase of . . . lethal military equipment . . . the money for which purchases being obtained from the sale of said cocaine inside the United States and said money being delivered for such sales of military equipment inside the United States; and
>
> . . . .
>
> 10. The conspiracy to bomb the United States Embassy in San Jose, Costa Rica, and to assassinate Lewis Tambs, the United States Ambassador . . . for the purpose of obtaining a $1 million "bounty" offered for the death of Lewis Tambs by Defendant PABLO ESCOBAR, a portion of which monies would be used to fund the Defendants' criminal enterprise.
>
> . . . .

7. In a June 6, 1986 cable, Headquarters characterized the proceedings:

> On 29 May 1986 Daniel Sheehan filed a lawsuit captioned Tony Avirgan and Martha Honey v. John Hull et al in the United States District Court of Southern Florida in which they asked for $24 Million in damages. This suit tracks the allegations contained in [an earlier cable] and was not unexpected. The complaint is essentially a artfully [*sic*] woven story about alleged excesses of the Nicaraguan resistance and its supporters in Central America with the La Penca bombing at its center.

8. The May 29, 1986 complaint was amended twice. On December 12, 1986, Sheehan filed an affidavit that represented his recounting of the "Secret Team theory" as a supplemental filing to the amended complaint.

9. On June 23, 1988, the presiding judge in the civil action signed an order granting summary judgments to the defendants. On February 2, 1989, the Judge signed an order that granted the defendant's motions for costs and attorney's fees for the defendants and stated:

> After two years of protracted and extensive discovery of scores of witnesses across the United States, Costa Rica, and elsewhere, the plaintiffs were unable to produce a single witness who could state that the defendants exploded the bomb or were responsible for the assassination attempt. . . . The attorneys for the plaintiffs, The Christic Institute, must have known prior to suing that they had no competent evidence to substantiate the theories alleged in their complaint. . . . Based upon the affidavit of plaintiffs' counsel, the plaintiffs were permitted to conduct two years of discovery. This discovery failed to produce any admissible evidence regarding causation. . . . This abuse of the judicial process requires that the plaintiffs make the defendants whole by paying the fees the defendants have been forced to expend for attorneys in this action.

The Judge awarded the defendants a total of $1,034,381.36.

The Director of Central Intelligence

Washington, D.C. 20505

OGC 82-02197

2 March 1982

Honorable William French Smith
Attorney General
Department of Justice
Washington, D.C. 20530

Dear Bill:

Thank you for your letter of 11 February regarding the procedures on reporting of crimes to the Department of Justice, which are being adopted under Section 1-7(a) of Executive Order 12333. I have signed the procedures, and am returning the original to you for retention at the Department.

I am pleased that these procedures, which I believe strike the proper balance between enforcement of the law and protection of intelligence sources and methods, will now be forwarded to other agencies covered by them for signing by the heads of those agencies.

With best regards,

Yours,

William J. Casey

William J. Casey

Enclosure

Office of the Attorney General
Washington, D.C. 20530

Executive Registry
82-6476

February 11, 1982

Honorable William J. Casey
Director
Central Intelligence Agency
Washington, D.C. 20505

Dear Bill:

Thank you for your letter regarding the procedures governing the reporting and use of information concerning federal crimes. I have reviewed the draft of the procedures that accompanied your letter and, in particular, the minor changes made in the draft that I had previously sent to you. These proposed changes are acceptable and, therefore, I have signed the procedures.

I have been advised that a question arose regarding the need to add narcotics violations to the list of reportable non-employee crimes (Section IV). 21 U.S.C. §874(h) provides that "[w]hen requested by the Attorney General, it shall be the duty of any agency or instrumentality of the Federal Government to furnish assistance to him for carrying out his functions under [the Controlled Substances Act] . . ." Section 1.8(b) of Executive Order 12333 tasks the Central Intelligence Agency to "collect, produce and disseminate intelligence on foreign aspects of narcotics production and trafficking." Moreover, authorization for the dissemination of information concerning narcotics violatons to law enforcement agencies, including the Department of Justice, is provided by sections 2.3(c) and (i) and 2.6(b) of the Order. In light of these provisions, and in view of the fine cooperation the Drug Enforcement Administration has received from CIA, no formal requirement regarding the reporting of narcotics violations has been included in these procedures. We look forward to the CIA's continuing cooperation with the Department of Justice in this area.

In view of our agreement regarding the procedures, I have instructed my Counsel for Intelligence Policy to circulate a copy which I have executed to each of the other agencies covered by the procedures in order that they may be signed by the head of each such agency.

Sincerely,

William French Smith
Attorney General

REPORTING AND USE OF INFORMATION CONCERNING FEDERAL CRIMES

I. Scope. Section 1-7(a) of Executive Order 12333 requires senior officials of the Intelligence Community to:

> Report to the Attorney General possible violations of federal criminal laws by employees and of specified federal criminal laws by any other person as provided in procedures agreed upon by the Attorney General and the head of the department or agency concerned, in a manner consistent with the protection of intelligence sources and methods, as specified in those procedures.

These procedures govern the reporting of information concerning possible federal crimes to the Attorney General and to federal investigative agencies acquired by agencies within the Intelligence Community in the course of their functions. They also govern the handling and use of such information by the Department of Justice and federal investigative agencies in any subsequent investigations or litigation. These procedures are promulgated under the authority of 28 U.S.C. § 535 and Executive Order 12333, § 1-7(a).

II. Definitions.

A. "Agency" means those agencies within the Intelligence Community, as defined in Executive Order 12333, § 3-4(f) except for the intelligence elements of the Federal Bureau of Investigation and the Department of the Treasury.

B. "Department" means the Department of Justice.

C. "Employee" means:

1. A staff employee or contract employee of an Agency;

2. Former officers or employees of an Agency, for purposes of offenses committed during their employment; and

3. Former officers or employees of an Agency, for offenses involving a violation of 18 U.S.C. § 207.

D. Except as specifically provided otherwise, "General Counsel" means the general counsel of the Agency or the department of which it is a component or a person designated by him to act on his behalf.

III. General Considerations.

A. These procedures govern the reporting of information which the Agency or its current employees become aware of in the course of performing their functions. They do not authorize the Agency to conduct any investigation or to collect any information not otherwise authorized by law.

B. These procedures require a current employee of the Agency to report to the General Counsel facts or circumstances that appear to the employee to indicate that a criminal offense may have been committed. Reports to the Department of Justice or to a federal investigative agency will be made by the Agency as set forth below.

C. When an Agency has received allegations, complaints or information [hereinafter "allegations"] tending to show that an employee of that agency may have violated any federal criminal statute, or another person may have violated a federal criminal statute contained within one of the categories listed in Section IV below, the Agency shall within a reasonable period of time determine through a preliminary inquiry whether or not there is any basis to the allegations (that is, are clearly not frivolous or false). If the allegations can be established as without basis, the General Counsel will make an appropriate record of his findings and no reporting under these procedures is required. If the allegations cannot be established as without basis, the reporting procedures set forth below will be followed. A preliminary inquiry shall not include interviews with persons other than current employees of the Agency or examination of premises not occupied by the Agency without the prior notification and approval of the Department of Justice, except that the Agency may interview a non-employee for the sole purpose of determining the truth of a report that such non-employee has made an allegation or complaint against an Agency employee. The foregoing provisions shall neither limit the techniques which the Agency may otherwise be authorized to use, nor limit the responsibility of the Agency to provide for its security functions pursuant to Executive Order 12333.

D. Allegations shall be reported pursuant to the procedures in effect at the time the allegations came to the attention of the Agency.

E. Allegations that appear to involve crimes against property and involve less than $500 need not be reported pursuant to the procedures set forth below. The General Counsel will, however, make an appropriate record of his findings.

F. In lieu of following the procedures set forth below, the General Counsel may orally report periodically, but at least quarterly, to the Department concerning those offenses which, while subject to these reporting requirements, are in the opinion of the General Counsel of such a minor nature that no further investigation or prosecution of the matter is necessary. If an oral report is made, the General Counsel will meet with the Assistant Attorney General or a designated Deputy Assistant Attorney General of the Criminal Division, Department of Justice to obtain his concurrence or nonconcurrence with the General Counsel's opinion. If such concurrence is obtained, no further reporting under these procedures is required. If concurrence is not obtained, the reporting procedures set forth below will be followed.

IV. Non-Employee Reportable Offenses

A. Allegations concerning offenses in the following categories are reportable, if they pertain to a person other than an employee.

1. Crimes involving intentional infliction or threat of death or serious physical harm. Such crimes may include:

   Assault -- 18 U.S.C. §§ 111-113(A)

   Homicide -- 18 U.S.C. §§ 1111-14, 1116, 2113(e)

   Kidnapping -- 18 U.S.C. § 1201

   Presidential assassination, assault or kidnapping -- 18 U.S.C. § 1751

   Threats against the President and successors to the President -- 18 U.S.C. § 871

2. Crimes likely to impact upon the national security, defense or foreign relations of the United States. Such crimes may include:

   Communicating classified information -- 50 U.S.C. § 783(b)

   Espionage -- 18 U.S.C. §§ 793-98

   Sabotage -- 18 U.S.C. §§ 2151-57

   Arms Export Control Act -- 22 U.S.C. § 2778

   Atomic Energy Act -- 42 U.S.C. §§ 2077, 2092, 2111, 2122.

Export Administration Act -- 50 U.S.C. App. § 2410

Neutrality offenses -- 18 U.S.C. §§ 956-60

Trading with the Enemy Act -- 50 U.S.C. App. §§5(b), 16

Agents of foreign government --18 U.S.C. § 951

Government employee acting for a foreign principal -- 18 U.S.C. § 219

Communication, receipt or disclosure of restricted data -- 42 U.S.C. § 2274-77

Registration of certain persons trained in foreign espionage systems -- 50 U.S.C. §§ 851, 855.

Foreign Agents Registration Act -- 22 U.S.C. § 618(a)

Unlawfully entering the United States -- 8 U.S.C. § 1325

Any other offense not heretofore listed which is contained within Chapter 45 of Title 18 U.S.C.

3. Crimes involving foreign interference with the integrity of United States governmental institutions or processes. Such crimes may include, when committed by foreign persons:

Bribery of public officials and witnesses -- 18 U.S.C. §§ 201-208

Conspiracy to injure or impede an officer -- 18 U.S.C. § 372

Election contributions and expenditures -- 2 U.S.C. §§ 441a-j, 599-600

4. Crimes which appear to have been committed by or on behalf of a foreign power or in connection with international terrorist activity. Such crimes may include:

Aircraft piracy -- 49 U.S.C. § 1472(i)

Distribution, possession, and use of explosives -- 18 U.S.C. §§ 842(a) - (i)

Unlawful electronic surveillance -- 18 U.S.C. §§ 2511(1), 2512(1), 50 U.S.C. §1809

Passport and visa offenses -- 18 U.S.C. §§ 1541-44, 1546

Distribution, possession, transfer, and use of firearms -- 18 U.S.C. § 922, 924; 26 U.S.C. 5861

Transporting explosives on board aircraft -- 49 U.S.C. § 1472(h)

Conspiracy to injure or impede an officer -- 18 U.S.C. § 372

Counterfeiting U.S. obligations -- 18 U.S.C. § 471-74

False statements and false official papers -- 18 U.S.C. §§ 1001-02, 1017-18

Obstruction of justice -- 18 U.S.C. §§ 1503-06, 1508-10

Perjury -- 18 U.S.C. § 1621-23

B. Any conspiracy or attempt to commit a crime reportable under this section shall be reported if the conspiracy or attempt itself meets the applicable reporting criteria.

C. The General Counsel will make an appropriate record of any matter brought to his attention which he determines is not reportable under this section.

D. Notwithstanding any of the provisions above, the General Counsel may report any other possible offense when he believes it should be reported.

V. Reporting Procedures -- Format

The fact that a referral has been made pursuant to these procedures shall be reflected in a letter or memorandum sent by the Agency to the entity designated to receive the referral under these procedures. In each instance that a referral is required, information sufficiently detailed to allow the Department of Justice to make informed judgments concerning the appropriate course of subsequent investigations or litigation shall be transmitted, either orally or in writing, to the Attorney General, the Assistant or a designated Deputy Assistant Attorney General, Criminal Division, Department of Justice, or the Assistant Director, Criminal Investigative or Intelligence

Division, Federal Bureau of Investigation. The Agency shall supplement its referral when any additional information relating to the original referral comes to its attention.

VI. Reporting Procedures -- No Security Considerations Involved

A. Where the Agency determines in accordance with these procedures that a matter must be reported, and where the Agency further determines that no public disclosure of classified information or intelligence sources and methods would result from further investigation or prosecution, and the security of ongoing intelligence operations would not be jeopardized thereby, the Agency will report the matter to the appropriate federal investigative agency, or to the appropriate United States Attorney for an investigative or prosecutive determination. In each such instance, the Agency shall also notify the Department of Justice, Criminal Division of the referral.

B. The Agency will inform the entity receiving such report that, unless notified otherwise by the Agency or by the Department, the security and consulting requirements set forth in Section VII of these procedures need not be followed.

C. A federal investigative agency or United States Attorney receiving information from the Agency pursuant to Section VI of these procedures is required promptly to advise the Agency of the initiation and conclusion of any investigation or prosecution involving such information.

VII. Reporting Procedures -- Security Considerations Involved

A. Where the Agency determines in accordance with these procedures that a matter must be reported, and where the Agency also determines that further investigation or prosecution of the matter would or might result in a public disclosure of classified information or intelligence sources or methods or would jeopardize the security of ongoing intelligence operations, the Agency will report the matter to the Assistant Attorney General or a designated Deputy Assistant Attorney General, Criminal Division, Department of Justice or Assistant Director, Criminal Investigative or Intelligence Division, Federal Bureau of Investigation, in the manner described in section V, above. In any instance in which a matter is reported to the Federal Bureau of Investigation, the Agency shall also notify the Department of Justice, Criminal Division of the referral. Upon request, the Agency will explain the security or operational problems that would or might arise from a criminal investigation or prosecution.

B. Persons who are the subject of reports made pursuant to this section may be identified as John Doe #______ in any written document associated therewith. The true identities of such persons will be made available when the Department of Justice determines that they are essential to any subsequent investigation or prosecution of the matter reported.

C. Information contained in Agency reports will be disseminated to persons other than the Assistant or Deputy Assistant Attorney General or the Assistant Director, Criminal Investigative or Intelligence Division, FBI, only as follows:

1. No Department or Federal investigative employee will be given access to classified information unless that person has been granted appropriate clearances, including any special access approvals. The Assistant or Deputy Assistant Attorney General or the Assistant Director, Criminal Investigative or Intelligence Division, FBI, will ensure that access by an employee is necessary for the performance of an official function and that access is limited to the minimum number of cleared persons necessary for investigative or prosecutorial purposes. The Department will provide the head of the Agency with a detailed report regarding any disclosure not authorized by these procedures and will take appropriate disciplinary action against any employee who participates in such a disclosure.

2. With regard to information reported to the Criminal Division, Department of Justice, which the general counsel of an Agency designates in writing as particularly sensitive and for which special dissemination controls are requested pursuant to this provision, dissemination will only occur after consultation with the General Counsel of the Agency. The designation of information as particularly sensitive may be made only by the general counsel or acting general counsel of an Agency.

3. Except as permitted by these procedures, classified information which has been received by the Department, the FBI, or other federal investigative agency pursuant to these procedures may not be disseminated outside of that entity without the advance written consent of the General Counsel or the head of the Agency.

D. When it becomes apparent to the Department or federal investigative agency that any investigative or legal action may result in the disclosure of classified information or intelligence sources or methods, the Department or federal investigative agency will, at the earliest possible time, fully advise and consult with the Agency to determine the appropriate course of action and the potential harm to intelligence sources and methods by the contemplated use or disclosure of the classified information. Except in exigent circumstances no investigative or legal action will be taken without such advance notice and consultation.

1. "Exigent circumstances" means situations in which a person's life or physical safety is reasonably believed to be in imminent danger, or information relating to the national security is reasonably believed to be in imminent danger of compromise, or expiration of a statute of limitations is imminent, or loss of essential evidence in any of these cases is imminent, or a crime is about to be committed, or the opportunity to arrest a person is about to be lost where there is probable cause to believe that the person has committed a crime.

2. If, due to exigent circumstances, any investigation or significant contemplated action in any legal proceeding is taken without advance notice or consultation, the Department or federal investigative agency, within twenty-four hours of taking such action, will provide the reporting agency an explanation of the circumstances requiring that action. Thereafter, there will be full adherence to the notification and consultation requirements of these procedures.

3. For purposes of this provision, consultation will include the specific investigative and legal actions the Department or federal investigative agency proposes to take and a specification of legal and investigative issues involved. The purpose of the consultation is to assure an opportunity for the Agency to provide its judgment to the Department or federal investigative agency regarding the potential damage, if any, to the national security of the disclosure or use of the information at issue. During this process, the Agency will promptly provide as detailed an identification and analysis as is possible at the time of the potential consequences for the intelligence sources or methods and for the national security from the contemplated disclosure or use of the classified information. The Agency will also

provide any changes to or elaborations of this analysis as soon as they become evident.

4. If the Agency and the Department or federal investigative agency agree that the risk of the use or disclosure and any resulting consequences are acceptable, the contemplated investigative or legal action may commence or proceed.

5. If the Agency and the Department of Justice or federal investigative agency are unable to agree as to the appropriate use of classified information provided pursuant to these procedures by the Agency, each entity will be responsible for pursuing timely resolution of such issues as may exist through appropriate channels within their respective organizations. Each entity will provide notice to the other entity if it intends to seek a resolution of the issues by a higher authority in the other entity's department or agency. Where issues remain, they shall be referred to the Attorney General for final determination after appropriate consultation with the head of the Agency, and, where appropriate, the Director of Central Intelligence. The decision of the Attorney General may be appealed to the President with prior notice to the Attorney General and the Director of Central Intelligence. While such an appeal is pending, no action will be taken that would render moot the President's decision.

E. When security considerations warrant such action, any matter may be reported directly by the head of the Agency to the Attorney General or the Acting Attorney General, in the manner described in section V above. In considering such reports, the Attorney General or the Acting Attorney General may consult with any person whose advice he considers necessary and who has the required security clearance, provided that the Attorney General or the Acting Attorney General will consult with the head of the reporting agency or the General Counsel thereof concerning dissemination of material designated "Eyes Only."

F. If requested by the Agency, classified information provided by the Agency to the Department or a federal investigative agency will, to the maximum extent possible and consistent with investigative and prosecutive requirements, be stored by the Agency.

VIII. Relation to Other Procedures and Agreements

A. If the Agency for administrative or security reasons desires to conduct a more extensive investigation into the